

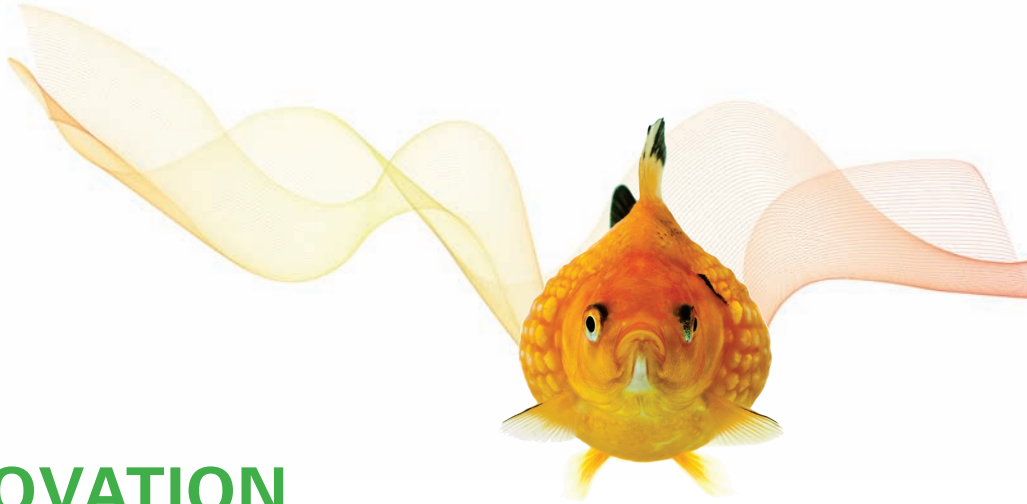
# CREATING NEW VALUES THROUGH INNOVATION

创 新 — 增 长 的 关 键



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## INNOVATION

### THE KEY TO GROWTH

### 创新 – 增长的关键

Innovation drives growth, creates opportunities in new markets and is critical for maintaining our competitive edge. The ability to adopt unusual approaches to problems, thinking ahead of competition and anticipating market trends ensure the continued success of our business.

In our next phase of growth, innovation – how our products are designed or how our services are delivered - is mission critical as we address the increasing consumer demand for convenience and technology. In FY2012, our R&D team has come up with revolutionary products that are already receiving rave reviews from our customers.

Meanwhile, the Group continues to work on restructuring its Dragon Fish breeding and distribution business even as it expands its ornamental fish and accessories network in China and India.

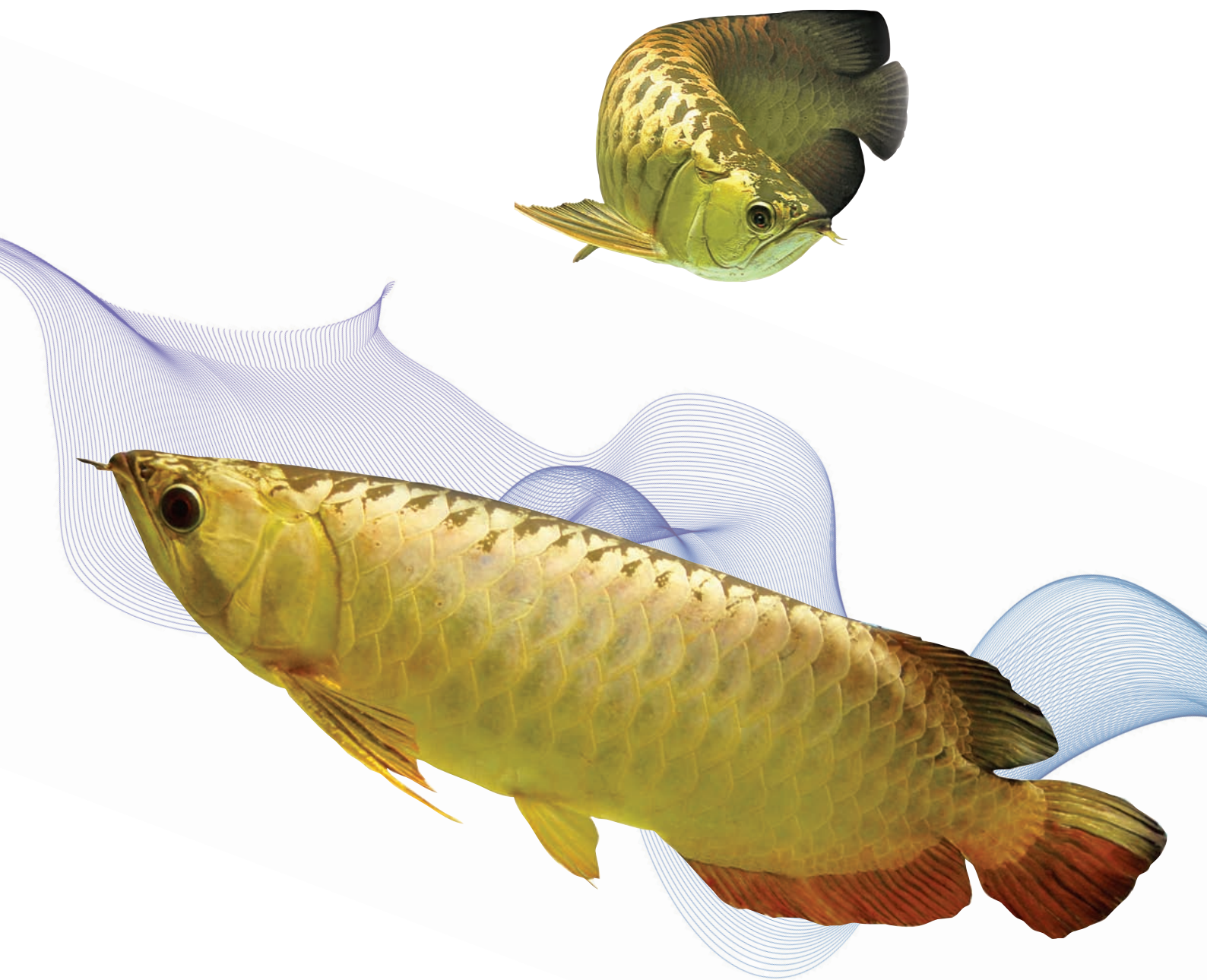
创新推动增长，创造新的市场机遇，对保持我们的竞争优势至关重要。采用与众不同的方法处理问题，超越竞争对手的思维和预测市场发展趋势的能力，将确保我们的业务继续取得成功。

我们下一阶段的发展在于如何创新——如何设计我们的产品，或是如何达成我们的服务——这是至关重要的，我们的成败在于如何满足消费者不断提高对便利与科技的要求。在2012财政年，客户对我们的研发团队所推出的革命性产品已给予好评如潮的反馈。

同时，本集团在扩大中国和印度的观赏鱼及水族器材销售网络之际，也将继续重组其龙鱼养殖与分销业务。

# INNOVATION IN R&D

## 研究与发展的创新





Aspiring to be at the forefront in R&D, Qian Hu has been spearheading leading-edge research on Arowanas since 2007. Qian Hu developed a novel method that identified unique genes in Arowanas through its pioneer research collaboration with Temasek Life Sciences Laboratories (TLL), and the findings contributed to improved production and variety of Arowanas.

This research also set the foundation for subsequent research. Improving the growth rate and quality of the fishes are critical to ensure sustainability of the ornamental fish business. In 2008, Qian Hu's research paper that focused on identifying fishes with good genes at the early stage of their lifecycle to improve the overall growth rate was published in Aquaculture Research. Another paper focusing on increasing the probability of identifying growth-enhancing genes in fishes was also published in BMC Genomics in 2011.

Besides focusing on Arowanas, Qian Hu also devoted research efforts in other species. Leveraging on TLL's expertise in fish breeding, Qian Hu successfully compared and isolated unique genes from a pool of 50 fish species in their 2010 collaboration. Findings from this research will translate to sustainable selective breeding of future premium breeds using scientific molecular approach.

The continued investment on research efforts saw the varieties of Arowanas more than doubled from 2007 to 2009. The total number of offspring also increased from 1,456 fishes in 2007 to 4,762 fishes in 2009.

Apart from furthering the research on the breeding behavior of the Arowana (or Dragon Fish), our R&D team, headed by Dr Alex Chang, has been working hard on exploring new technology and creating innovative products. In this annual report, we are pleased to share with our shareholders and the wider investment community not only our latest technological innovation, as well as some of our improved product series to better suit our ever-changing customer needs.

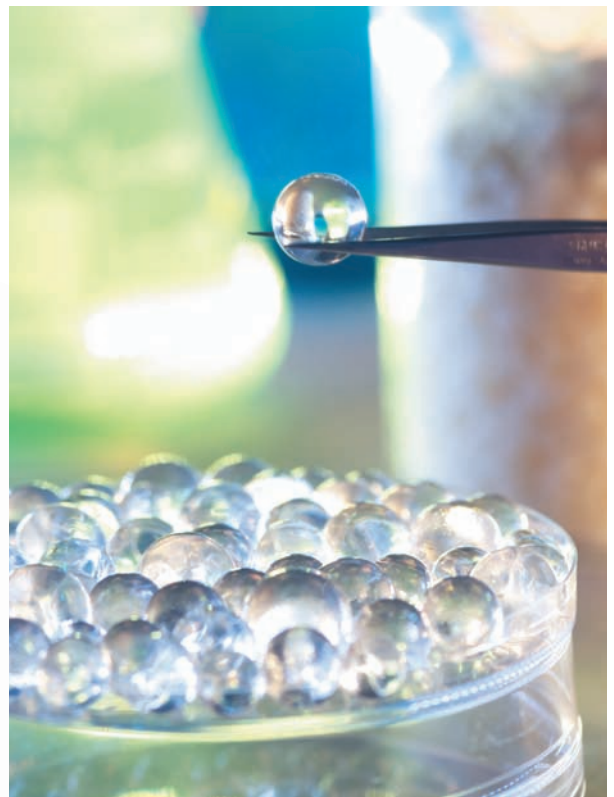
我们致力于走在研发的前端，自2007年以来，仟湖已率先展开对龙鱼的研究工作。通过与淡马锡生命科学实验室的首度研究合作，仟湖开发出一种可辨识龙鱼独特基因的新方法。这项研究成果提高了龙鱼的生产量，也增加了其品种。

这项研究也为接下来的研究奠定基础。改进鱼类的生长率和品质，对确保观赏鱼业务的可持续性发展至关重要。在2008年，仟湖在《水产养殖研究》（Aquaculture Research）发表了一份着重鱼只早期阶段的生命周期时辨识具有良好基因以提高整体生长率的研究报告。另一份以提高辨识具有成长促进基因的鱼类的几率的研究报告，也于2011年在《BMC基因组学》（BMC Genomics）上发表。

除了专注于龙鱼，仟湖也致力于其他鱼种的研究工作。借助淡马锡生命科学实验室的鱼类繁殖专业技术，仟湖在2010年与他们的合作，从50种鱼类中，成功的比较和分离出独特的基因。这项研究结果有助于采用科学的分子生物学方法，有选择性的持续培育未来优质的品种。

我们不断投资在研究上的努力及心血，使我们的龙鱼品种在2007至2009内增加了一倍以上。所繁殖的小鱼总数量也从2007年的1456尾鱼，增加至2009年的4762尾鱼。

除了继续推进龙鱼繁殖行为方面的研究，由张国炜博士领导的研发团队，一直努力探索新的技术和开发创新的产品。在本年度的报告中，我们欣然与股东和各界人士分享我们最新的技术创新，以及一些经提升的产品系列，以更好地满足客户不断变化的需求。





# THE WORLD'S FIRST-OF-ITS-KIND TECHNOLOGY: **HYDRO-PURE TECHNOLOGY®**

## 全球首创的科技：**HYDRO-PURE TECHNOLOGY®**

We are proud to announce that we have created the first-of-its-kind patented technology in the aquaculture industry – HYDRO-PURE TECHNOLOGY®.

Collaborating with a team of scientists from Zhongshan University, Qian Hu has scored a first by jointly developing the revolutionary HYDRO-PURE TECHNOLOGY®. This innovative technology is capable of enhancing the natural filtration processes in aquariums by multiple times when compared to conventional systems.

Using a specially formulated medium Cata-Pure to amplify the effects of “OH” reactive ions, bio-loads are quickly broken down into nitrogen gas, water, and smaller organic and inorganic ions through oxidation at a low energy consumption level. This process not only provides a more efficient pathway for the degradation of waste in aquarium tanks, it also makes sure that the by-products are safe. Compared to other current electrolysis techniques, HYDRO-PURE TECHNOLOGY® is also much less intrusive, simple and low cost.

HYDRO-PURE TECHNOLOGY® helps to promote a healthier aquatic environment essential for the fish's well-being.

Based on this patented technology, we have developed three new products – HYDRA Internal Filter series, Hydra Adaptor and Trojan – to cater to different customer profiles.

我们很自豪地宣布，我们已在水产养殖业内首创独一无二的专利净水科技– HYDRO-PURE TECHNOLOGY®。

仟湖鱼业与一组来自中山大学的科学家合作，共同开发了革命性、也是业界创举的HYDRO-PURE TECHNOLOGY®。这项创新的技术与传统系统相比，能提高水族箱多达几倍的天然过滤过程。

我们使用一种专门配制的媒介物Cata-Pure来扩大“OH”（羟基）反应离子的效用，通过低能量消耗的氧化过程，生物负载可迅速分解成氮气、水和较小的有机和无机离子。这个过程不仅更有效的降解水族箱的废物，也确保分解的产物是安全的。与其他电流电解技术相比，HYDRO-PURE TECHNOLOGY® 的侵入性较低，更简单，成本更低。

HYDRO-PURE TECHNOLOGY®有助于促进健康的水生环境，对鱼的生长非常重要。

在这项专利技术的基础上，我们研发了三种新产品 – HYDRA内置过滤器系列，HYDRA适配器和特洛伊 – 以满足不同客户的需要。



## HYDRA INTERNAL FILTER

### HYDRA内置过滤器

Consisting of five models, the eco-friendly and energy-saving HYDRA internal filter series effectively control nitrite and nitrate by eliminating ammonia with the HYDRO-PURE TECHNOLOGY®.

环保和节能的HYDRA内置过滤器系列有5个款型，结合HYDRO-PURE TECHNOLOGY®消除氨，能有效地控制亚硝酸盐和硝酸盐。







## TROJAN

### 特洛伊

The Trojan caters to the aficionados with its market-leading filtration device powered by HYDRO-PURE TECHNOLOGY®. It is capable of removing all organic colourings to prevent tinting of water, a feat that no other filtration devices, including UV sterilizers can achieve. Excellent clear water quality is maintained with the removal of extra nutrients and suspended algae in water in three days. In addition, the Trojan is able to prevent algae growth on the glass surface and microbial biomass growth, a layer of mucus usually found on the glass surface in fish tanks.

采用HYDRO-PURE TECHNOLOGY®的特洛伊，以其领先市场的过滤装置迎合玩家的需求。它能够去除所有的有机色素以防止水被染色。这是其他过滤设备，包括紫外线杀菌器，无法相提并论的。悬浮在水中的额外营养物质和藻类在三天内就会被去除，因此可保持绝佳清晰的水质。此外，它能够防止藻类生长在玻璃表面和预防通常在鱼缸玻璃表面上的一层粘液微生物量的生长。



## HYDRA ADAPTER

### HYDRA适配器

Targeted at the hobbyist market, the HYDRA Adaptor was created to work with existing pumps or filtration devices, allowing customers to experience the power of HYDRO-PURE TECHNOLOGY® at a small cost.

以业余观赏鱼爱好者市场为目标，HYDRA适配器能与现有的水泵或过滤装置配合，让客户以小花费就能体验强力的HYDRO-PURE TECHNOLOGY®。





## PRODUCTS THAT APPEAL 具吸引力的产品

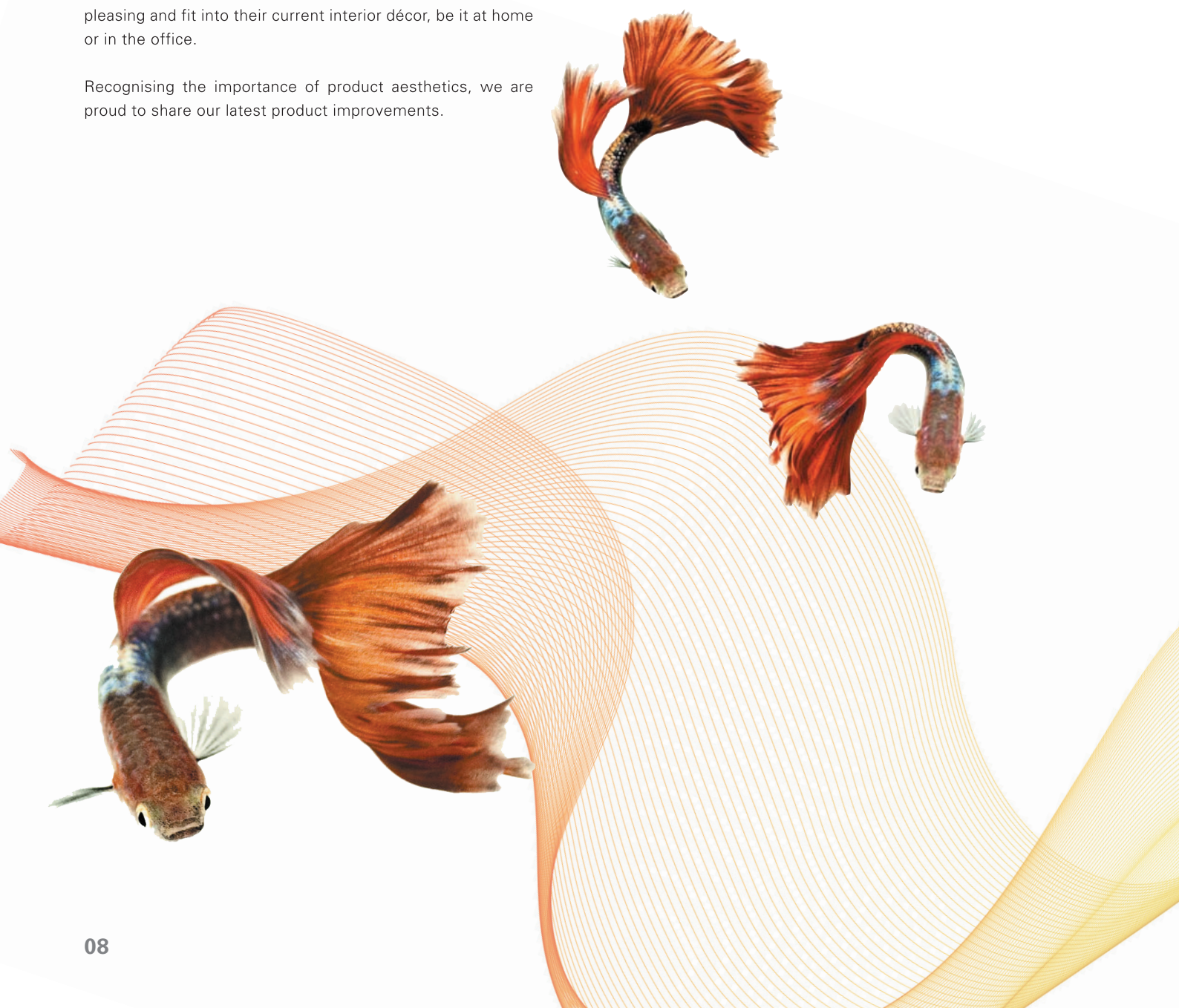
Not only does Qian Hu focus on innovative product development, it also strives to continuously improve on its existing product ranges to meet the ever-changing needs of our customers. This is also in line with our goal in ensuring quality consistency and strengthening our proprietary brand names.

Spoilt with choices in today's market, pure functional products no longer suffice to satisfy consumers' demand. Gadgets and appliances are expected to be aesthetically pleasing and fit into their current interior décor, be it at home or in the office.

Recognising the importance of product aesthetics, we are proud to share our latest product improvements.

仟湖鱼业不仅专注于开发创新产品，同时也致力于不断改进其现有的产品种类，以满足客户不断变化的需求，这与我们确保质量的一致性和加强自主品牌的目标相符。

今天的市场选择多不胜数，纯功能性的产品已无法满足客户的需求。无论是在家里还是在办公室，人们期望科技产品和电器的美观设计能融入他们目前的室内装饰。产品外观的重要性不容忽视，我们因此很自豪与大家分享集团最新改进的产品。



## AROWANA TANK MK II

### 龙鱼鱼缸MK II

Endemic to South East Asia region, Arowana is an exotic and beautiful species that requires special care and attention for healthy breeding. Renowned for our Arowanas, we are the first to create the Arowana Tank that enhances the experience for hobbyists.

Our latest Arowana Tank MK II maximises the viewing pleasure by ensuring fishes can be seen from all angles of the tank. Compared to traditional tanks, the cleverly hidden LED lighting ensures the arowana is visible and bright even if it swims to the frontal portion of the tank, unlike conventional fish tanks.

Installed with HYDRA-PURE TECHNOLOGY®, the Arowana Tank MK II is the first in the market to boast a 25% filtration capacity, 1.5 times more than the current 10% filtration capacity found in traditional tanks. This all-in-one fish tank adjusts its water level according to the various growth stages of the fish, eliminating the need for tank replacement as the fish grows. Water-changing process is also now a breeze with the easy-to-use singular tube. Used water and clean water passes through the same tube, thus eliminating the hassle of handling several tubes during the process of changing water. An elegantly designed sensor touch panel is added to complete the finishing touch of minimalist chic to the overall design.

龙鱼是东南亚地区特有的鱼种，它是一个充满异国情调和美丽的品种，需要特别的照顾和关注，才能健康生长。我们因养殖龙鱼闻名，也是第一个为业余爱好者提升养鱼体验而创造龙鱼鱼缸的商家。

我们最新的龙鱼鱼缸MK II型可以确保从鱼缸的各个角度看到鱼只，提高了观赏的乐趣。与传统的鱼缸比较，LED照明巧妙地隐藏在缸内，即使龙鱼游到鱼缸的前面，仍然是明亮清晰可见。

龙鱼鱼缸MK II也具备HYDRA-PURE技术，是市场上第一个具有25%过滤能力的鱼缸，这比目前一般只有10%过滤能力的传统鱼缸强1.5倍以上。集所有功能于一身的鱼缸可根据鱼只的不同生长阶段调整其水位，免除了随着鱼只长大需要更换鱼缸的需要。换水过程有了便利使用的单管，也变成了一件轻而易举的事。使用过的水和清洁的水可通过相同的水管，消除了换水时需要几个水管的麻烦。设计优雅的反应触摸面板，为整体设计添加了简约别致的效用。





## LUMI'Q

### LUMI'Q25 AND LUMI'Q30

The improved LUMI'Q25 and LUMI'Q30 targets the hobbyists who look for both functional and aesthetically pleasing products that fits into their overall interior décor. Combining a minimalist and high performing functionality into one, we are proud to introduce probably the first fish tank that comes with an in-built docking station and a passive speaker system.

Powered with the HYDRO-PURE TECHNOLOGY® for its filtration system, the joy of fish rearing is maximised when consumers can listen to music from the in-built speaker system while viewing their fishes. They can also charge their iPhones with the docking station elegantly incorporated into the cover lid.

Comes in a bigger tank volume, the timeless design of LUMI'Q25 and LUMI'Q30 adds a touch of Zen to their home or office.

采用改进的LUMI'Q25和LUMI'Q30，能够照顾业余爱好者们对功能与美观兼备的要求，成为能配合他们整体室内装饰的产品。结合一个极简设计和高性能为一体的设备，我们自豪地推介或许是首个有内置充电基座和一个无源扬声器系统的水族箱。

采用HYDRO-PURE TECHNOLOGY®制造的过滤系统，使到养鱼的愉悦达到极点。消费者可以一边听从内置的扬声器系统播放的音乐，一边欣赏鱼儿水中的游姿。他们也可以把他们的iPhone放在缸盖上的基座充电。

也备有较大体积的水族箱，让LUMI'Q25和LUMI'Q30的永恒设计为住家或办公室增添了一抹禅意。

# lumi'q





Lumi'Q  
provides up to six  
coloured lightings  
to suit various  
occasions and  
styles.



## ALBINO ASIAN AROWANA

### 亚洲白龙鱼

Albino Asian Arowana is starting to attract attention among the fish collectors for their rarity. In their natural habitat, the possibility of two albino Asian Arowanas mating in their natural habitat and producing surviving offsprings is only one-in-a-hundred million, making it an item of pursuit by fish collectors. Furthermore, artificial breeding of albino Asian Arowana is more difficult with lower breeding percentage compared to other species. In addition, reproductive cycle is also slower by about 5 to 6 years compared to other species.

Qian Hu recognised the potential business opportunity in this market and spent three years analysing the Asian Arowana's chromosomal information to form an Asian Arowana's genetic map. Another four years were spent using the genetic map to fulfil two important milestones in research. The first milestone was having the ability to distinguish the purity of the pedigree. This was an important criterion as only fishes with pure pedigree would be able to reproduce offspring that has the selected and required traits and characteristics.

The second milestone achieved was the development of sex markers using molecular tools in male and female Asian Arowanas used for selective breeding. The genetic map was also used to locate the albino genetic mutation.

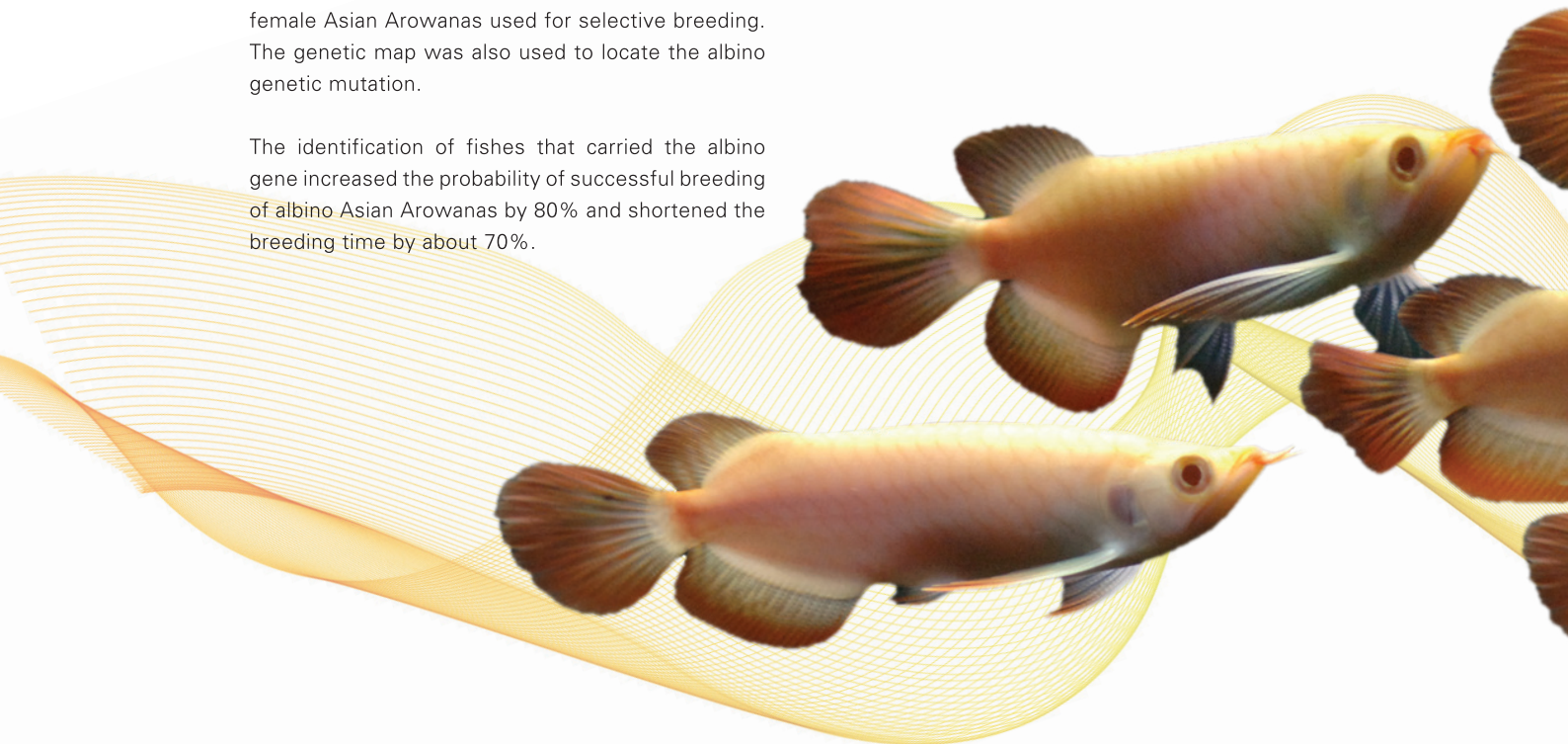
The identification of fishes that carried the albino gene increased the probability of successful breeding of albino Asian Arowanas by 80% and shortened the breeding time by about 70%.

亚洲白龙鱼因其品种稀有，而引起观赏鱼收藏家的关注。在它们的自然生长环境里，两尾亚洲白龙鱼交配后产下的后代，幸存的机率只有一亿份之一，更使它成为受收藏家追捧的一个品种。再者，与其他品种相比，亚洲白龙鱼的人工养殖比较困难，育种百分比更低。此外，它的生殖周期也比其他品种慢大约五至六年。

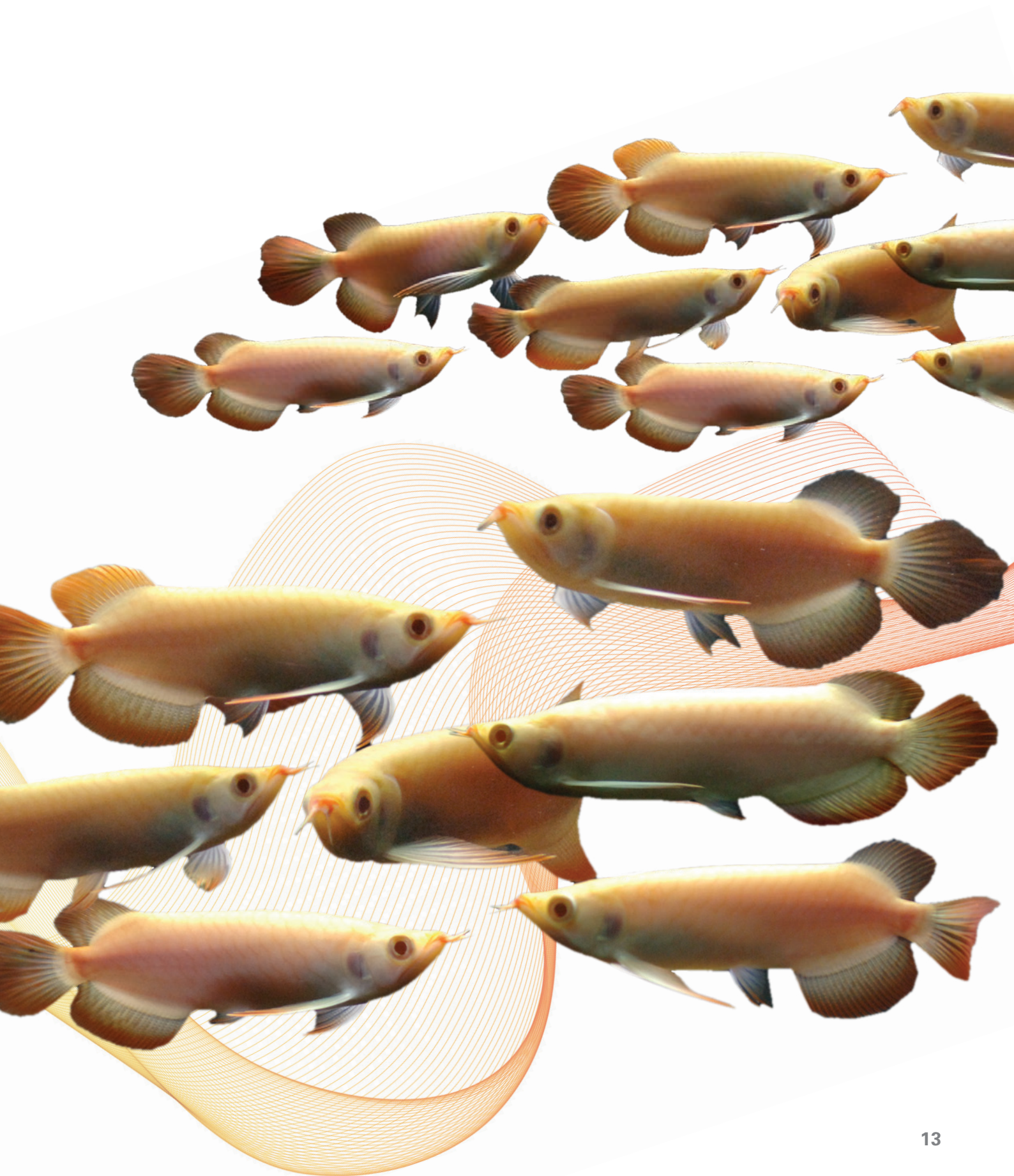
仟湖把握这个市场的潜在商机，花了三年时间分析亚洲龙鱼的染色体信息，组成龙鱼的遗传图谱，并继续投资四年时间对遗传图谱进行研究，完成两项重要的里程碑。第一个里程碑是辨识纯种的能力，这是一个重要的准则，因为只有纯种的鱼类，才能繁殖具有选定和所需的特性和特征的后代。

第二个里程碑是开发性别标示，使用分子工具对雌雄的龙鱼进行选择育种。遗传图谱也可用来鉴定白龙鱼的基因突变。

识别携带白龙鱼基因的鱼只，可把亚洲白龙鱼的繁殖成功率提高至80%，育种时间可缩短约70%。







# INNOVATION IN OPERATIONAL EFFICIENCY AND PRODUCTIVITY

## 营运效率和生产力的创新

Innovation is also applied in the operational aspects of the business to improve overall productivity through the use of technology. In line with the Singapore government's calling to companies to reduce reliance on manpower, Qian Hu has implemented initiatives within the organisation to achieve higher productivity and efficiency.

For instance, an Automatic Aquatic System (AAS), aimed at reducing manpower on changing water for the water tanks, was implemented during FY2012. In the past, it took five operators using a total of 11 man-hours to change the water on a daily basis. With the introduction of AAS in January 2012, productivity has increased by 80% on a per-operator basis, as one employee can now manage 259 tanks compared to 144 tanks in the past. In addition, Qian Hu can bring in more fishes and in greater varieties to better meet customers' order. Employees can also devote more attention to taking care of fishes that are under quarantine.

Stock-taking of the fishes and stock analysis was another operational aspect that Qian Hu looked into for improvement. In the past, stock-taking and analysis took at least four days to complete. The employees had to track the number of fishes manually on-site and hard copy stock cards were used to track fish's movement.

Since PDAs were introduced to improve the Stock Inventory System, the stock-taking and analysis process was reduced to a mere three hours. This translated to a 90% reduction in time spent and an increase in productivity and efficiency by 90%.

Besides quicker detection of stock discrepancy, the PDA-assisted Stock Inventory System also improved the stock information's accuracy, enabling sales persons to provide better decision and feedback to their customers.

创新也运用于业务上的营运，通过技术的使用加强整体的生产力。回应新加坡政府要求公司减少对人力的依赖，仟湖已在公司内实行措施以提高生产与工作效率。

例如，我们在2012财政年里采用自动水生系统（Automatic Aquatic System 简称“AAS”），减少劳动力为鱼缸换水。在过去，我们每天需要五名操作员耗费总共11个小时来进行换水的工作。在2012年1月引进了自动水生系统，使这项工作完全自动化后，每一名操作员的生产力也提高了80%，一名员工从前只能管理144个鱼缸，现在可管理259个鱼缸。此外，仟湖可引进更多的品种和更多的鱼只以更好的满足客户的订单。员工也有更多时间更专注照顾被隔离接受检疫的鱼只。

仟湖进行改善的另一营运事项是鱼只盘点和库存分析。在过去，盘点和分析至少需用四天时间来完成。员工需要到现场进行人工点算鱼的数量，并用记录卡来记录各类鱼只的所在。

自从引用了掌上电脑以改善库存系统，盘点和分析过程减少到只需三个小时。这使耗费的时间减少了90%，生产力和效率相对的提高了90%。

除了更快发现库存的差异，以掌上电脑为辅助的库存系统也提高了库存信息的准确性，使销售员可以为客户们提供更好的决定和反馈。



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

EXECUTIVE CHAIRMAN AND  
MANAGING DIRECTOR  
KENNY YAP KIM LEE

DEPUTY MANAGING DIRECTOR  
ALVIN YAP AH SENG

DEPUTY MANAGING DIRECTOR  
ANDY YAP AH SIONG

FINANCE DIRECTOR  
LAI CHIN YEE

INDEPENDENT DIRECTOR  
CHANG WENG LEONG

INDEPENDENT DIRECTOR  
TAN TOW EE

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CHAIRMAN  
TAN TOW EE

## MEMBERS

CHANG WENG LEONG  
SHARON YEOH KAR CHOO

## NOMINATING COMMITTEE

CHAIRMAN  
SHARON YEOH KAR CHOO

## MEMBERS

TAN TOW EE  
CHANG WENG LEONG

## REMUNERATION COMMITTEE

CHAIRMAN  
CHANG WENG LEONG

## MEMBERS

TAN TOW EE  
SHARON YEOH KAR CHOO

## SHARE REGISTRAR

M & C SERVICES PRIVATE LIMITED  
112 Robinson Road  
#05-01  
Singapore 068902

## AUDITORS

KPMG LLP  
16 Raffles Quay  
#22-00 Hong Leong Building  
Singapore 048581

AUDIT PARTNER-IN-CHARGE  
KUM CHEW FOONG  
(appointed in financial year 2012)

## PRINCIPAL BANKERS

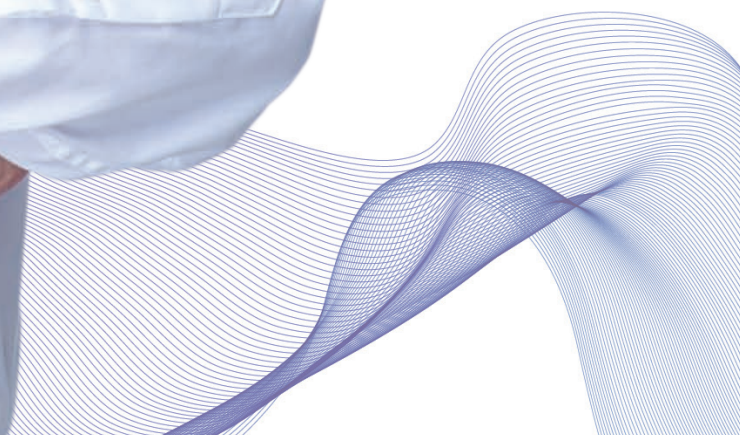
DBS BANK LTD  
OVERSEA-CHINESE BANKING  
CORPORATION LIMITED  
MALAYAN BANKING BERHAD  
CIMB BANK BERHAD  
AUSTRALIA AND NEW ZEALAND  
BANKING GROUP LIMITED  
BANK OF CHINA





## **INNOVATION**

IMPROVES THE  
PRODUCTIVITY,  
AND CREATES  
NEW VALUES  
FOR THE ENTIRE  
GROUP.



# CHAIRMAN'S STATEMENT

## My dear bosses,

Qian Hu's performance in FY2012 was impacted by two major scenarios – the prolonged uncertainty of the Eurozone crisis (some 40% of our Group's exports are to Europe), and the rapid flooding of mass-market Dragon Fish in Malaysia which caused selling prices to plummet to such a great degree that we no longer think that it is viable to maintain our investment in our Batu Pahat-based subsidiary, Kim Kang Aquaculture Sdn Bhd as it was incurring losses and producing negative cash flow. The disposal of Kim Kang will unlock the value of its assets and allow the Group to rationalise its financial and capital resources.

This was indeed a tough decision, but one that our board of directors and senior management had to seriously consider and after much deliberation, decided that it would be a drastic, but necessary action. Back in 2003, our decision to invest in a Dragon Fish breeder such as Kim Kang made a lot of sense because the focus was on securing upstream supply. Things have since changed – now the market is focused on distribution prowess.

When tides change, we must not hold on to old decisions for the sake of saving face and hope that the situation will improve. Instead, we have to act, and act swiftly we must. The directors decided to cut losses and deploy our resources to create more value such as building our distribution network in Asia, particularly China and India.

We are thankful that our shareholders, at an Extraordinary General Meeting held on 27 December, approved the disposal of our entire 65% shareholding in Kim Kang for a total consideration of \$9.4 million which will be satisfied by the cash payment of \$3.9 million and the transfer of 1,000 tails of Dragon Fish brooder stocks worth \$5.5 million.

The cash proceeds from this disposal will be redeployed to reduce our bank borrowings, and to pay a special dividend to our shareholders in October 2013. Meanwhile, in response to our FY2012 results, the Directors are pleased to propose a final dividend of 0.2 cents per ordinary share.

## INNOVATION – KEY TO GROWTH

We continue to reiterate that in our next lap of growth, Qian Hu will have to build on its rich knowledge capital via R&D to revolutionize our product offerings, and create market demand whether it is in our service as an ornamental fish distributor, or brand creator of aquarium and pet accessories. Innovation is indeed key to Qian Hu's sustainability, and our ability in riding through the volatility of business cycles. Innovation improves the productivity, and creates new values, for the entire Group.

Over the years, we have imbibed a culture of innovation throughout the Group which spurred a strong pipeline of products not limited to Accessories, but also in the customisation of Dragon Fish (a follow-through of the research initiatives with Temasek Life Sciences), and business processes. Our focus is not on short-term challenges, but in achieving long-term sustainability.

## ACHIEVEMENTS IN SUSTAINABILITY REPORTING

We are pleased to receive a C rating from Global Reporting Initiative for our maiden Sustainability Report 2011. This together with our updates for 2012 is discussed in pages 46-56 in this Annual Report. We were equally excited at receiving Top Honours in the SME category at the Singapore Sustainability Awards 2012 organised by the Singapore Business Federation.

Whilst we work tirelessly to meet our business challenges head-on and with gusto, Qian Hu will continue our tradition of instilling goodwill and confidence in our expanded sphere of stakeholders that have interests beyond corporate profitability.

## CONCLUSION

With our clear growth strategy, coupled with a healthier balance sheet with good assets that would create new value, we trust that our shareholders and investors will give us the time to pull everything together even as we continue our quest to create sustainable businesses that will last beyond generations.



**Kenny The Fish**  
Executive Chairman & Managing Director



# 主席的话

**各位老板们，大家好！**

仟湖鱼业2012财政年的业绩受到两大外在因素影响——欧元区危机持续性不稳定（本集团约40%的出口是到欧洲市场），以及在马来西亚迅速充斥大众化市场的龙鱼，造成销售价格暴跌到几乎无利可图的程度。因蒙受亏损及出现负现金流，我们认为须放弃投资在峇株巴辖的子公司金江水族宠物有限公司。出售金江将释放其资产价值，让本集团重整其财务及资本资源。

这的确是一个艰难的决定，但却是一个需要认真考虑，并且经过我们的董事以及高级管理层深思熟虑后所作出的一个重大但必须的抉择。回顾2003年时，我们为确保持上游供应量而决定投资在例如金江的龙鱼饲养场是正确的。但是局势已经改变，目前市场着重于分销的实力。面对局势变化时，我们不应为了挽留颜面，坚持于旧的决定，并希望情况会有所改善。相反的，我们必须当机立断采取行动。董事会决定减少亏损，并部署我们的资源以创造更多的价值，如在亚洲建立分销网络，尤其是在中国和印度开拓市场。

我们非常感谢我们的股东，在12月27日举行的特别股东大会上，通过批准我们转售所持有的全部65%的金江股权，总值940万元，包括支付390万元的现金及转让总市价为550万新元的一千条龙鱼。

这次脱售所得的现金，将用于减少我们的银行贷款，并且也会在2013年10月份派发给我们的股东一次性的特别股息。同时，对应我们2012财政年的业绩，董事会欣然建议发放每一普通股0.2分的年终股息。



### 创新 – 增长的关键

我们重申在下一阶段的增长，仟湖鱼业必须在其丰富的知识资本上，无论是作为观赏鱼分销商，或是水族及宠物配件的品牌创造者，通过研发革新化我们的产品供应并且创造市场需求。创新的确是确保仟湖鱼业可持续发展的关键，也使我们有能力渡过商业周期的波动起伏。创新将有助提高生产效率，也为整个集团创造新的价值。

多年来，我们集团上下贯彻的创新文化，带动了系列产品的开发计划。这不仅于在配件产品方面，也包括了龙鱼的定制（与淡马锡生命科学研究院研究提案的后续通过）及业务流程。我们所着重的并不是应付短期的挑战，而是在于实现长期的可持续发展。

通过**创新**以加强  
集团的生产力与  
增长价值。

### 可持续发展报告所取得的成就

我们很高兴我们的首份可持续发展报告2011获得全球报告倡议组织（Global Reporting Initiative）所颁发的C级评选。这份报告连同我们2012年的汇报同列在这份年报的第46到56页。对于能在由新加坡工商联合总会所举办的2012年新加坡可持续发展奖中获得中小企业组中取得最高荣誉奖，我们也感到非常欣慰。

除了努力不懈地应付所面对的业务挑战之际，仟湖鱼业将持续惯例，在超越企业盈利之外，给予我们日益增加的投资者更大的信心与商誉的保证。

### 结论

有了明确的发展策略，再加上更良好的资产负债表、及能够创造新价值的优良资产，我们相信，我们的股东和投资者会给予我们时间，让我们能继续的共同创造可持续发展的企业，直到世世代代。



叶金利  
执行主席兼总裁





## BOARD OF **DIRECTORS**

1. KENNY YAP KIM LEE
2. ALVIN YAP AH SENG
3. ANDY YAP AH SIONG
4. LAI CHIN YEE
5. TAN TOW EE
6. CHANG WENG LEONG
7. SHARON YEOH KAR CHOO





# BOARD OF DIRECTORS

## KENNY YAP KIM LEE

Executive Chairman and Managing Director

Mr Kenny Yap is the Executive Chairman and Managing Director of Qian Hu Corporation Limited, the only integrated ornamental fish service provider listed on the Mainboard of the Singapore Exchange.

Through his leadership, vision and passion for the industry, Kenny plays a key role in establishing Singapore as the Ornamental Fish Capital of the World, with Qian Hu accounting for more than 5% of the global fish market. He has a string of awards to his name – Public Service Award (PBM) in 2004, Ernst & Young's Service Entrepreneur of the Year Award in 2003, Young Chinese Entrepreneur of the Year by Yazhou Zhoukan in 2002, one of the 50 Stars of Asia by Business Week in 2001, the PSB/International Institute of Management's International Management Action Award in 2000, and the Singapore National Youth Award in 1998.

In 2008, he was named one of the Top 10 Outstanding Entrepreneurs by China Education Television, Beijing Municipal Administrations of Cultural Heritage, Fortune Times, Phoenix Satellite and several other organisations in China.

Kenny graduated from Ohio State University (USA) with a First Class Honours degree in Business Administration. He currently serves as the Chairman for the Ornamental Fish Business Cluster initiated by AVA and is a member of the Action Community for Entrepreneurship (ACE). He is also a member of the Singapore Quality Award Advisory Council since 2005. He was appointed as a council member of the Corporate Governance Council from February 2010 to July 2012.

## ALVIN YAP AH SENG

Deputy Managing Director

Mr Alvin Yap, a founding member of the Group, oversees the Group's aquarium and pet accessories operations in his current capacity as Deputy Managing Director.

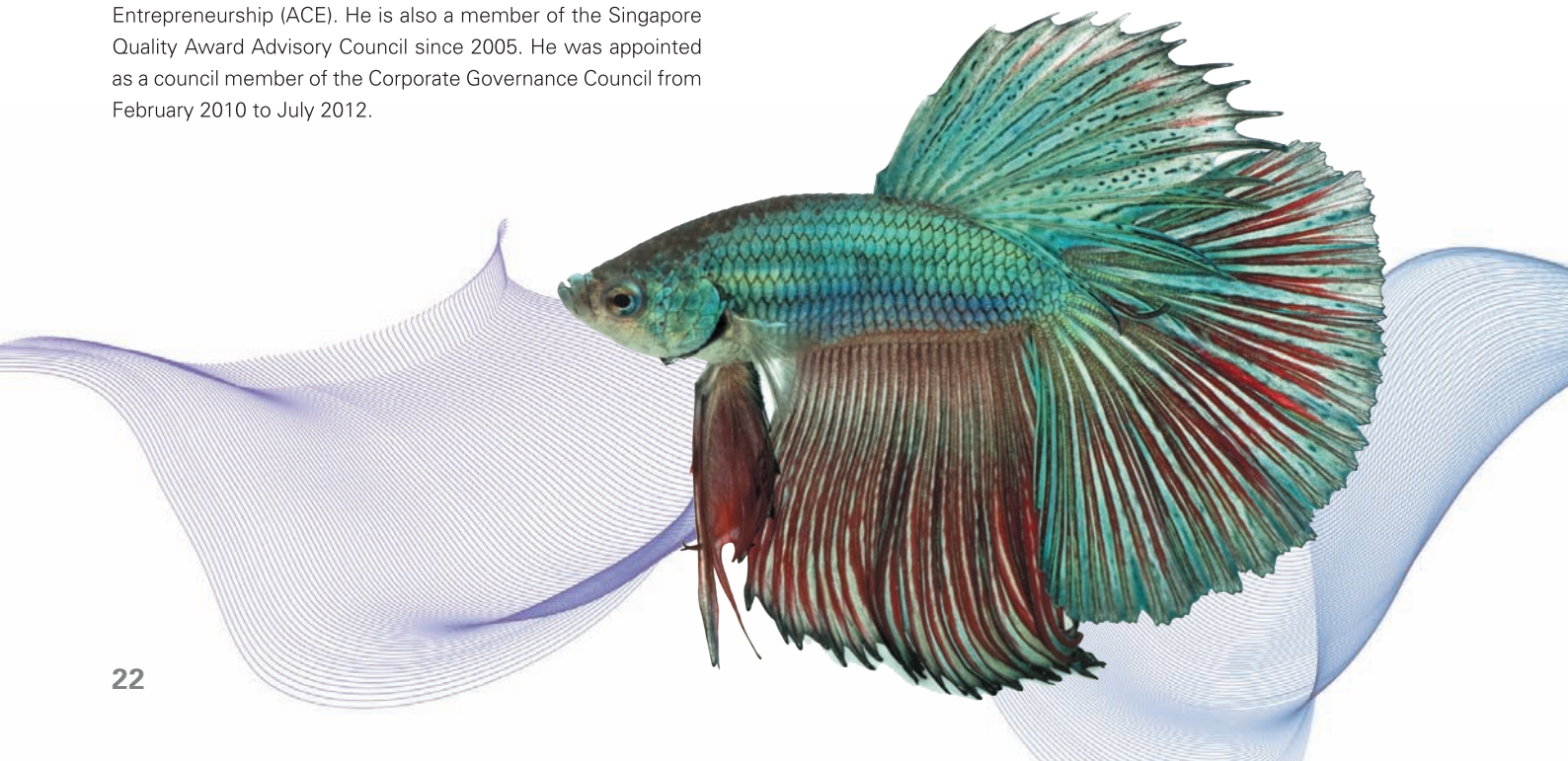
Alvin holds a diploma in Mechanical Engineering from Singapore Polytechnic and was the Managing Partner for Yi Hu Fish Farm Trading from 1988 to 1998. In 2000, Alvin, together with Kenny Yap and Andy Yap, was one of the Top 12 Entrepreneurs of the 12th Rotary-ASME Entrepreneur of the Year as well as a finalist at the 10th Rotary-ASME Entrepreneur of the Year in 1998.

## ANDY YAP AH SIONG

Deputy Managing Director

Mr Andy Yap, a founding member of the Group, heads the Group's ornamental fish operations as Deputy Managing Director.

Andy holds a diploma in Business Studies from Ngee Ann Polytechnic and was the Managing Partner for Qian Hu Fish Farm Trading from 1989 to 1998. In 2000, Andy, together with Kenny Yap and Alvin Yap, was one of the Top 12 Entrepreneurs of the 12th Rotary-ASME Entrepreneur of the Year as well as a finalist at the 10th Rotary-ASME Entrepreneur of the Year in 1998.





**LAI CHIN YEE**

Finance Director

Ms Lai Chin Yee was the Group Financial Controller before assuming her current position as the Finance Director of Qian Hu Corporation Limited in November 2004. She is responsible for the Group's accounting, finance, treasury and tax functions. Prior to joining the Group in 2000, Ms Lai was an auditor with international accounting firms since 1987. She was appointed by the Ministry of Finance as a member of the Tax Advisory Committee from September 2004 to September 2006. She also served as a council member of the Council on Corporate Disclosure and Governance (CCDG) from December 2006 to August 2007. She was a member of the CFO Committee of the Institute of Certified Public Accountants of Singapore from May 2009 to April 2012.

Ms Lai graduated with a Bachelor degree in Accountancy from the National University of Singapore and is a Fellow of the Institute of Certified Public Accountants of Singapore. In 2009, Ms Lai was named the Chief Financial Officer of the Year (companies with less than \$300 million in market capitalisation) at the Singapore Corporate Awards.

**TAN TOW EE**

Independent Director

Mr Tan Tow Ee was appointed in May 2002 as an Independent Director of Qian Hu Corporation Limited. He was appointed the Chairman of the Audit Committee in September 2011.

Mr Tan currently manages private funds and also provides consultancy services. He has more than 15 years of professional experience working with international corporations where he was managing their sizeable investments.

He holds an Honours degree in Finance from Ohio State University (USA). Also the Chairman of the Branding Committee, Mr Tan plays a pivotal role in developing Qian Hu's brand name into the region.

**CHANG WENG LEONG**

Independent Director

Appointed in October 2000, Mr Chang Weng Leong serves as Qian Hu's Independent Director. He is currently the Principal Consultant of Alchemy Business Consultants, and has many years of experience in various areas of management - such as quality management, environmental, human resource and business.

Mr Chang is the Chairman of the Remuneration Committee which oversees the remuneration of key executives of the Group.

Mr Chang holds a Masters of Science degree in Mechanical Engineering from the National University of Singapore. He is a registered Principal Auditor with the Institute of Quality Assurance (IRCA UK).

**SHARON YEOH KAR CHOO**

Independent Director

Ms Sharon Yeoh was appointed in September 2011 as an Independent Director of Qian Hu Corporation Limited. She is the Chairman of the Nominating Committee which assesses the Board's performance and effectiveness as well as the independence of directors.

She is Director, corporate secretarial services of Corporate Alliance Pte. Ltd. and runs an active practice acting for and advising companies of various backgrounds and industries in their setting up, operations and compliance matters in Singapore. Ms Yeoh has more than 20 years of professional experience in corporate secretarial industry. She had previously worked in corporate services division of Coopers & Lybrand Hong Kong and Coopers & Lybrand Singapore (Coopers & Lybrand merged with Price Waterhouse and became PricewaterhouseCoopers in 2000); Evatthouse Corporate Services Pte. Ltd. and M & C Services Private Limited. She was also the in-house secretary of a substantial shipping/hotel owning group of companies. In her years of practice, she has acted as company secretary to various public, public listed and private companies.

Ms Yeoh was admitted as an Associate Member of the Institute of Chartered Secretaries & Administrators, United Kingdom in 1990. She is a member of the Singapore Association of the Institute of Chartered Secretaries & Administrators (SAICSA). She holds a practicing certificate from SAICSA.

# SENIOR MANAGEMENT

## SINGAPORE

### LOW ENG HUA

Group General Manager

Mr Low joined the Group in 2001 and is responsible for the overall management and business development of the Group. Prior to joining the Group, Mr Low worked in Engage Electronics (S) Pte Ltd from 1993 to 2001 where he rose through the ranks from Application Engineer to Deputy Operations Manager. Mr Low holds a Bachelor's degree in Engineering from the National University of Singapore.

### YAP KIM CHOON

Division Head

Wan Hu Division

As one of our founding members, Mr Yap joined the Group in 1988 as the division head of Wan Hu division. He specialises in the rearing and breeding of Dragon Fish and has helped the Group won prizes in international competitions.

### RAYMOND YIP CHEE WANG

Senior Manager, Group Human Resource

Mr Yip has been in human resource management for over 20 years, with diverse experiences working in various industries, including NTUC electronic sector unions, ship repair, hotel and trading companies. He joined the Group in 2003 to set up the Human Resource department. He is responsible for the daily human resource activities in Singapore and the overseas subsidiaries. Since Qian Hu achieved the SQA status, he has been actively involved in sharing the SQA framework with other organisations and implementing the framework to the various subsidiaries.

### LEE KIM HWAT

Managing Director

Qian Hu Tat Leng Plastic Pte Ltd

Mr Lee has been overseeing and managing the operations and business development of Qian Hu Tat Leng for more than 15 years. He is responsible for the growth of the Group's plastics business.

### ALEX CHANG KUOK WEAI

Head, Group Integrated R&D Department

Dr Chang joined the Group in January 2009. He attained his Doctorate Degree from The National University of Singapore specialising in Fish Molecular Genetics. Dr Chang is the main coordinator in the Group's R&D collaboration with external research organisations and all the subsidiaries' R&D teams.

Dr Chang was both a lecturer and the Head of the Centre for Aquatic Science and Technology in Ngee Ann Polytechnic before joining Qian Hu. Prior to that he was a member of the technical staff at DSO National Laboratories' Centre for Biological and Chemical Defence. In 1998, he also headed a freshwater Crayfish Research Company.

Dr Chang currently serves as a member in the Ornamental Fish Business Cluster initiated by AVA. He holds a patent to a novel technology in water filtration which is now translated to various filtration products in the company. He is also an author to various Aquatic Science research articles in International Peer-reviewed Scientific Journals and has authored a book in the Asian Cichlasoma species.

## CHINA

### BOB GOH NGIAN BOON

General Manager

Beijing Qian Hu Aquarium and Pets Co., Ltd

Shanghai Qian Hu Aquarium and Pets Co., Ltd

Mr Goh joined the Group in 2001. He was appointed General Manager of its Guangzhou operations in 2005 and was transferred to our Beijing and Shanghai operations in August 2007 and January 2008 respectively to handle the day-to-day operations and oversee the system implementation. Prior to joining Qian Hu, Mr Goh was a Brand Manager and has managed several high profile international brands.

Mr Goh holds a diploma in Business Studies from Ngee Ann Polytechnic.

## **MALAYSIA**

### **THOMAS NG WAH HONG**

Managing Director

Qian Hu Aquarium and Pets (M) Sdn Bhd

Qian Hu The Pet Family (M) Sdn Bhd

Mr Ng is responsible for the overall business development of Qian Hu Malaysia. Prior to joining the Group in 1998, Mr Ng was a director of Guan Guan Industries Sdn Bhd since 1990, and Agemac Verdas (Malaysia) Sdn Bhd from 1996 to 1998. He holds a diploma in Civil Engineering from Singapore Polytechnic.

## **INDIA**

### **SELVARAJ BALASWAMY**

Managing Director

Qian Hu Aquasstar (India) Private Limited

Mr Selvaraj has more than 25 years of experience in the ornamental fish and accessories business. He founded Aquasstar in 1984 and is now a leading aquarium accessories distributor in India. Over the years, Mr Selvaraj has visited many overseas trade shows and was awarded with dealership for various esteem brands of accessories for the India market.

## **THAILAND / INDONESIA**

### **JIMMY TAN BOON KIM**

Managing Director

Thai Qian Hu Company Limited

Qian Hu Marketing Co Ltd

Advance Aquatic Co Ltd

P.T. Qian Hu Joe Aquatic Indonesia

Mr Tan oversees the business operations and business development of the Group's subsidiaries in Thailand and Indonesia.

Prior to his current appointment in 2002, Mr Tan was the division head of Daudo division, overseeing the import, export and wholesale of ornamental fish. He was also the sole proprietor of Daudo Aquarium for 9 years and a partner of Sea Palace Tropical Fish for 6 years.

### **VIRAVAT VALAISATHIEN**

General Manager

Thai Qian Hu Company Limited

Mr Valaisathien, a law graduate from St John's University in Thailand, was appointed General Manager of Thai Qian Hu in 2002. He is responsible for the company's purchasing and domestic sales activities as well as to handle its day-to-day operations.





# GROUP STRUCTURE

DIVISIONS	SUBSIDIARIES	ASSOCIATES
Qian Hu Fish Farm Trading	<p><b>100%</b> Qian Hu Tat Leng Plastic Pte Ltd 2 Woodlands Sector #03-35, Woodlands Spectrum, Singapore 738068</p> <p><b>100%</b> Qian Hu Aquarium and Pets (M) Sdn Bhd Block E, Lot 6212, Kg. Baru Balakong 43300 Balakong, Selangor Darul Ehsan, Malaysia</p> <p><b>100%</b> Qian Hu The Pet Family (M) Sdn Bhd Block E, Lot 6212, Kg. Baru Balakong 43300 Balakong, Selangor Darul Ehsan, Malaysia</p> <p><b>100%</b> Beijing Qian Hu Aquarium and Pets Co., Ltd Dong Fish Farm, Bei Ma Fang Village, Jinzhang Town, Chao Yang District, Beijing, China</p> <p><b>100%</b> Shanghai Qian Hu Aquarium and Pets Co., Ltd No 165, Pingle Road, Huacao Town, Minhang District, Shanghai, China</p>	<p><b>90%</b> P.T. Qian Hu Joe Aquatic Indonesia No. 35, Jalan Anyar Leuwintug, Kec. Citeureup Bogor, Indonesia 16810</p> <p><b>74%</b> Qian Hu Marketing Co Ltd 30/23 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand</p> <p><b>60%</b> Thai Qian Hu Company Limited 30/25 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand</p> <p><b>60%</b> Advance Aquatic Co Ltd 30/24 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand</p> <p><b>49%</b> NNTL (Thailand) Limited 30/23 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand (The Group has voting control at general meetings and Board meetings)</p>
Yi Hu Fish Farm Trading		<p><b>50%</b> Qian Hu Aquasstar (India) Private Limited No 23 Natarajan Nagar, By Pass Road Madhavaram, Madhavaram, Chennai, 600 060 India</p>
Wan Hu Fish Farm Trading		<p><b>20%</b> Arcadia Products PLC 8 io Centre, Salbrook Road, Redhill RH1 5GJ, United Kingdom</p>

# AWARDS & ACCOLADES

## 2001

**SIAS Most Transparent Company Award -**  
Awarded by Securities Investors Association  
(Singapore) - Winner in SESDAQ & Small Caps  
(up to \$100 million) category

## 2002

**Business Times' Corporate Transparency  
Index (CTI) - 1st Position**

**SIAS Most Transparent Company Award -**  
Awarded by Securities Investors Association  
(Singapore): Winner in SESDAQ & Small Caps  
(up to \$100 million) category

## 2003

**Best Managed Board Award -**  
Special Mention

**SIAS Most Transparent Company Award -**  
Awarded by Securities Investors Association  
(Singapore): Winner in Services/Utilities/  
Agriculture category & Golden Circle Special  
Merit Award

## 2004

**Business Times' Corporate Transparency  
Index (CTI) - 1st Position**

**SIAS Most Transparent Company Award -**  
Awarded by Securities Investors Association  
(Singapore): Winner in Mainboard Small Caps  
(up to \$100 million) category & Runner-up in  
Services/Utilities/ Agriculture category

**Singapore Quality Award -**  
Awarded by Spring Singapore

## 2005

**Business Times' Corporate Transparency  
Index (CTI) - 1st Position**

**SIAS Most Transparent Company Award -**  
Awarded by Securities Investors Association  
(Singapore) - Runner-up in Mainboard Small  
Caps (up to \$100 million) category

## 2006

**Business Times' Corporate Transparency  
Index (CTI) - 1st Position**

**Singapore Corporate Awards -**  
Best Annual Report Award  
(Gold - Companies with less than \$500 million  
in market capitalisation)

Best Investor Relations Award  
(Gold - Companies with less than \$500 million  
in market capitalisation)

**SIAS Most Transparent Company Award -**  
Awarded by Securities Investors Association  
(Singapore) - Runner-up in Mainboard Small  
Caps (up to \$100 million) category  
**People Developer Standard -**  
Awarded by Spring Singapore

## 2007

**Business Times' Corporate Transparency  
Index (CTI) - 1st Position**

**SIAS Most Transparent Company Award -**  
Awarded by Securities Investors Association  
(Singapore) - Winner in Mainboard Small Caps  
category

**IR Magazine Southeast Asia Awards -**  
Grand Prix for Best Overall Investor Relations  
(Winner - Small or Mid-Cap)

Best Corporate Governance  
(Winner - Small or Mid-Cap)

Best Financial Reporting  
(Highly Recommended – Small or Mid-Cap)

Most Progress in Investor Relations  
(Highly Recommended – Small or Mid-Cap)

**Professional Enterprise Award -**  
Awarded By Asian Management Association  
and Certified Consultant Academy

## 2008

**Business Times' Corporate Transparency  
Index (CTI) - 1st Position**

**Singapore Corporate Awards -**  
Best Managed Board Award  
(Merit - Companies with less than \$500 million  
in market capitalisation)

**SIAS Most Transparent Company Award -**  
Awarded by Securities Investors Association  
(Singapore) - Winner in Mainboard Small Caps  
category

**SQC Innovation Class -**  
Awarded by Spring Singapore

**Pro-Family Business Mark Certification -**  
Awarded By Singapore Productivity Association

## 2009

**Singapore Corporate Awards -**  
Chief Financial Officer of The Year -  
Ms Lai Chin Yee  
(Companies with less than \$300 million in  
market capitalisation)  
Best Managed Board Award  
(Merit - Companies with less than \$300 million  
in market capitalisation)  
Best Annual Report Award  
(Gold - Companies with less than \$300 million  
in market capitalisation)  
Best Investor Relations Award  
(Bronze - Companies with less than \$300  
million in market capitalisation)

**SIAS Most Transparent Company Award -**  
Awarded by Securities Investors Association  
(Singapore) - Winner in Mainboard Small Caps  
category

**Singapore Quality Award -**  
Awarded by Spring Singapore

## 2010

**Singapore Corporate Awards -**  
Best Managed Board Award  
(Gold - Companies with less than \$300 million  
in market capitalisation)

**SIAS Most Transparent Company Award -**  
Awarded by Securities Investors Association  
(Singapore) - Winner in Mainboard Small Caps  
category

## 2011

**Singapore Corporate Awards -**  
Best Investors Relations Award  
(Gold - Companies with less than \$300 million  
in market capitalization)

**SIAS Most Transparent Company Award -**  
Awarded by Securities Investors Association  
(Singapore) – Winner in Mainboard Small Caps  
category

**Global Performance Excellence Award -**  
Awarded by Asia Pacific Quality Organisation -  
Best in Class 2011 (Small Service Organisation)

## 2012

**Singapore Sustainability Awards 2012 -**  
Top Honours (Small & Medium Enterprise)

**Singapore Corporate Awards 2012 -**  
Best Annual Report (Gold - Companies with  
less than \$300 million in market capitalisation)

**Service Excellent Awards 2012 (Silver Award) -**  
Awarded by Spring Singapore

## OUR PROSPECTS IN 2013



### INCREASE IN OUR EXPORT OF ORNAMENTAL FISH

Ornamental fish will continue to be an important core business activity of our Group. Currently, we export to more than 80 countries around the world from our export hubs in Singapore, Malaysia, Thailand, Indonesia and China. We believe that we are the region's biggest exporter of ornamental fish capturing more than 5% of the world market share, with Singapore, Malaysia, Thailand and Indonesia supply close to 60% of the world's ornamental fish in total. While we increase our efforts on expanding our export distribution network to more countries around the world, we will focus on high-growth regions such as the Middle East, Eastern Europe, China and India.



### ESCALATION OF OUR EXPORT OF AQUARIUM AND PET ACCESSORIES

Our export of aquarium and pet accessories has seen a healthy momentum of growth and its footprint will continue to expand. Currently, we export our accessories products to approximately 40 countries around the world. It is our intention to grow our export of aquarium and pet accessories to as many countries as our ornamental fish export. We aim to do this by cross selling our accessories products to our existing ornamental fish customers, as well as expanding our customer base in new countries through active marketing and participation in trade shows. It is important that we focus on innovative product development, ensuring consistency in quality and the building up of our own proprietary brand names. In fact, our LumiQ series of new generation fish tanks, with in-built docking stations and passive speaker systems, has won the Best New Products Award at the Australia Pet Expo held in October 2012.





### STREAMLINING OF OUR BREEDING AND SALES OF DRAGON FISH

The Dragon Fish business segment is going to be very challenging for the next few years. We envisage keener competition especially from the source of supply of Dragon Fish. Hence, it is critical for our Group to assimilate the breeding of high premium Dragon Fish in Singapore to our overseas markets, especially in China. Leveraging on the advantage of our advance R&D know-how in producing high quality selectively bred Dragon Fish, coupled with our existing strong market capability in Southeast Asia and China, we believe that we will conquer more market and should do better than other competitors from the region.



### INCREASE IN OUR CASH FLOW GENERATION

Our Group's current business model is now more robust and diversified after the completion of the restructuring exercise in FY2006. As we are operating in the niche lifestyle and service industry, we believe that we can achieve a respectable profit margin by leveraging on our proprietary brands, strong R&D efforts and an efficient supply chain management. Going forward, our focus is also on generating stronger cash flow from operating activities, and our internal target is that at least half of the Group's profitability should be realised into cash.



### EXPANSION OF OUR REGIONAL DOMESTIC DISTRIBUTION NETWORK

Our headquarters in Singapore, together with our subsidiaries in Bangkok, Kuala Lumpur, Jakarta, Beijing and Shanghai, distribute ornamental fish and aquarium and pet accessories in their respective countries. The Singapore base should record organic growth, but we anticipate that the Thailand, Malaysia, Indonesia and China markets will continue to grow healthily with much untapped markets. In China, we intend to further increase our distribution points from the existing 300 locations to approximately 350 locations by end of Year 2013. Our joint venture in India will also enable us to expedite our penetration into the India market.

# GROUP

## FINANCIAL HIGHLIGHTS

	2012	2011	2010	2009	2008
<b>For the year (\$'000)</b>					
Revenue	84,443	88,341	91,163	94,611	93,062
Earnings before interest, taxation, depreciation and amortisation (EBITDA)	(5,499)	7,472	8,653	12,776	12,520
Operating (Loss) Profit	(8,683)	4,151	5,299	9,440	9,191
Net (Loss) Profit attributable to equity holders	(9,137)	3,466	4,209	6,544	6,043
Operating Cashflow	3,584	1,653	4,057	12,238	9,819
Capital Expenditure	1,633	2,091	1,512	8,214	11,115
<b>At year end (\$'000)</b>					
Total Assets	77,942	105,945	107,409	103,767	100,512
Total Liabilities	23,822	32,321	34,379	34,547	37,778
Shareholders' Funds	52,529	63,433	62,723	59,226	53,591
Cash and Cash Equivalents	8,272	8,606	11,691	9,847	6,704
<b>Key ratios</b>					
Revenue growth (%)	(4.4%)	(3.1%)	(3.6%)	1.7%	1.5%
Net Profit growth (%)	(363.6%)	(17.7%)	(35.7%)	8.3%	22.1%
Net Profit margin (%)*	0.2%	2.8%	4.6%	6.9%	6.5%
Debt-to-equity ratio (times)	0.44	0.44	0.47	0.50	0.60
Return on Shareholders' Funds (%)	(17.4%)	5.5%	6.7%	11.0%	11.3%
Return on Total Assets (%)	(11.7%)	3.3%	3.9%	6.3%	6.0%
<b>Per share information (cents)</b>					
Earnings per share	(2.01)	0.76	0.93	1.48	1.36
Net Assets per share	11.92	16.21	16.08	16.4	15.1
Dividend per share - ordinary	0.20	0.60	0.50	0.50	0.20
<b>Market capitalisation (\$'million)</b>					
at close of business on the first trading day after the announcement of audited results	42.23	42.69	59.03	74.02	39.45

\* excluded the gain or loss on disposal of subsidiary and impairment loss on investment in an associate

# VALUE-ADDED STATEMENT

	2012 \$'000	2011 \$'000
Revenue earned	88,443	88,341
Less: Purchase of goods	(67,287)	(68,892)
<b>Gross value-added from operations</b>	<b>17,156</b>	<b>19,449</b>
Other (expenses) income	(9,081)	1,166
Exchange gain	320	547
Share of losses of associates	(77)	(97)
<b>Total value-added</b>	<b>8,318</b>	<b>21,065</b>
<b>Distribution:</b>		
To employees in salaries and other related costs	12,956	12,811
To government in corporate and other taxes	917	872
To providers of capital:		
- Interest paid on borrowings from banks	388	410
Retained for re-investment and future growth		
- Depreciation and amortisation	2,742	2,827
- Accumulated (losses) profits	(9,137)	3,466
- Non-controlling interests	(23)	135
Non-production cost and income:		
- Bad trade receivables and allowance for doubtful trade receivables	475	429
- Allowance for (Write back of) inventory obsolescence	0	115
<b>Total distribution</b>	<b>8,318</b>	<b>21,065</b>
<b>PRODUCTIVITY DATA</b>	<b>2012</b>	<b>2011</b>
Number of employees	515	550
Value-added per employee (\$'000)	16	38
Value-added per \$ of employment cost	0.64	1.64
Value-added per \$ sales	0.10	0.24
Value-added per \$ of investment in property, plant and equipment	0.26	0.35



# OPERATING AND FINANCIAL REVIEW

## BUSINESS REVIEW

Qian Hu is an integrated “one-stop” ornamental fish service provider ranging from breeding of Dragon Fish, farming, importing, exporting and distributing of ornamental fish as well as distribution of aquarium and pet accessories to local and overseas customers.

Currently, Qian Hu has presence in seven countries, namely, Singapore, Malaysia, Thailand, Indonesia, China, United Kingdom and India, which consists of ten subsidiaries and two associates (collectively known as “the Group”).

The Group has three main business activities - Ornamental Fish, Accessories and Plastics. For the financial year ended 31 December 2012, the Group recorded revenue of \$84.4 million, of which approximately 87% was contributed by the core businesses (Ornamental Fish and Accessories), while Plastics contributed the remaining 13%. The Accessories business accounted for the bulk of the Group’s operating profit at 59%, compared to 9% from Ornamental Fish and 32% by Plastics.

### ORNAMENTAL FISH

The Group engages in the total ornamental fish process, which includes import, export, breeding, quarantine, conditioning, farming, wholesale and distribution activities. The Group imports ornamental fish from countries in Southeast Asia, South America and Africa. It currently exports over 1,000 species and varieties of ornamental fish directly to more than 80 countries as well as distributes to local retailers and exporters. The “Qian Hu” Dragon Fish is increasingly regarded as a premium brand in China.

### ACCESSORIES

The distribution of accessories complements the ornamental fish operations by providing a “one-stop” shop to meet customers’ aquarium needs. The Group distributes more than 3,000 types of aquarium and pet accessories for more than 30 major manufacturers and principals to retailers in mainly Asia and Singapore, including supermarkets operated by NTUC FairPrice and Cold Storage. The export of aquarium and pet accessories has seen a healthy momentum of growth. Currently, the Group exports its accessories products to approximately 40 countries around the world.

Over the years, the Group has developed its proprietary brands of aquarium and pet accessories under the name “Ocean Free”, “OF”, “Classica”, “Aqua Zonic”, “Delikate”, “BARK” and “Aristo-cats YI HU”. The Group have a factory in Chennai (India) dealing with the manufacture of fish food.

In addition, since 2004, Qian Hu started penetrating the retail market with a chain store concept, “Qian Hu – The Pet Family”, which it intends to professionalise a highly fragmented market to mass market a niche industry. As at 31 December 2012, it has 10 retail chain stores in China, Malaysia and Thailand. All the chain stores sell both ornamental fish and related aquarium & pet accessories while some stores also provide pet grooming activities.

### PLASTICS

As an ancillary business, the Group manufactures plastic bags for its own use in the packing of ornamental fish for sale in a separate factory located in Woodlands. The plastic bags are also supplied to third parties in the ornamental fish, food and electronics industries.

## FINANCIAL REVIEW

**Revenue** – Decreased by \$3.9 million or 4.4% mainly due to a significant decrease in revenue from Dragon Fish sales as a result of the intense price competition caused by the oversupply of Dragon Fish which has resulted in a swift decline in its selling price. As the value chain of Dragon Fish has shifted from breeders to distributors, the Group has since focused on selling more quantity of these fish from the 2nd half of the financial year mainly to the Northeast Asian markets, especially China, to circumvent the depleting revenue generated from the ornamental fish business. The reduction in ornamental fish revenue was partially offset by the higher revenue generated from the accessories export business, which managed to leverage on the Group's existing overseas distribution bases & network and the infrastructure available to explore more untapped markets with growth potential.

**Gross profit** – Decreased by \$1.9 million or 7.0% mainly due to a decrease in revenue generated as a result of lower business activities as mentioned above.

**Other (expenses) income** – Mainly comprises loss on disposal of a subsidiary of approximately \$9.1 million arising from the disposal of the Group's entire equity interest in Kim Kang Aquaculture Sdn Bhd ("Kim Kang") in the 4th quarter of 2012.

**(Loss) Profit before tax** – Losses registered for the year under review was mainly due to a decline in gross profit, as well as the loss arising from disposal of a subsidiary as mentioned above, coupled with a marginal increase in operating expenses. The amount of operating expenses incurred in FY 2012 was \$0.7 million or 2.8% higher as compared to that of FY 2011 mainly due to the increase in staff costs as result of annual salary revision as well as the broad-spectrum increase in operating costs as a result of elevated inflationary pressure. Financial expenses, however, has decreased mainly due to lower interest expense from Kim Kang as it was disposed off in the 4th quarter of 2012.

**Tax expense** – Decreased by approximately \$0.1 million or 13.3% on the back of lower operating profit registered by the profitable entities. The higher effective tax rate of 66.6% in the current financial year as compared to 16.0% in FY 2011, despite the tax savings as a result of certain expenditure incurred by the Singapore entities qualifying for enhanced tax deduction under the Productivity and Innovation Credit (PIC) scheme, was mainly due to losses incurred by some subsidiaries which cannot be offset against profits earned by other companies in the Group.

**(Loss) Profit attributable to equity holders of the Company** – Decreased significantly as a result of lower revenue and losses incurred. Net profit margin declined from 3.0% to 0.1%.

## INCOME STATEMENT

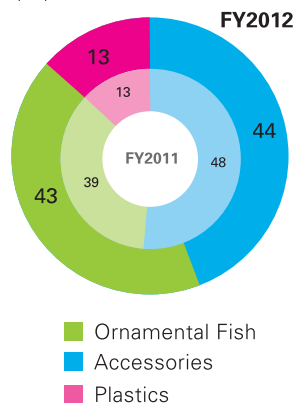
Revenue	
- Ornamental Fish	
- Accessories	
- Plastics	
<b>Total Revenue</b>	
Less : Cost of sales	
<b>Gross Profit</b>	
Add : Other (expenses) income	
Less : Operating expenses	
Operating (loss) Profit	
Add : Share of losses of associates	
<b>(Loss) Profit before tax</b>	
Less : Tax expense	
<b>(Loss) Profit for the year</b>	
<b>(Loss) Profit Attributable to:</b>	
<b>Equity holders of the Company</b>	
Non-controlling interests	
<b>(Loss) Profit for the year</b>	

2012 \$'000	2011 \$'000	Change %
36,280	42,713	(15.1)
36,874	34,289	7.5
11,289	11,339	(0.4)
<b>84,443</b>	<b>88,341</b>	<b>(4.4)</b>
(59,062)	(61,041)	(3.2)
<b>25,381</b>	<b>27,300</b>	<b>(7.0)</b>
(9,081)	1,166	(878.8)
(24,906)	(24,218)	2.8
(8,606)	4,248	(302.6)
(77)	(97)	(20.6)
<b>(8,683)</b>	<b>4,151</b>	<b>(309.2)</b>
(477)	(550)	(13.3)
<b>(9,160)</b>	<b>3,601</b>	<b>(354.4)</b>
<b>(9,137)</b>	<b>3,466</b>	<b>(363.6)</b>
(23)	135	(117.0)
<b>(9,160)</b>	<b>3,601</b>	<b>(354.4)</b>

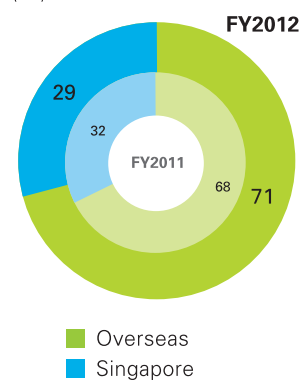
## Operating and Financial Review (cont'd)

### REVENUE

REVENUE BY BUSINESS ACTIVITIES  
(%)



REVENUE BY  
GEOGRAPHICAL LOCATION  
(%)



	Financial year ended 31 Dec		Increase (Decrease)	
	2012 \$'000	2011 \$'000	\$'000	%
Ornamental Fish	36,280	42,713	(6,433)	(15.1)
Accessories	36,874	34,289	2,585	7.5
Plastics	11,289	11,339	(50)	(0.4)
	<b>84,443</b>	<b>88,341</b>	<b>(3,898)</b>	<b>(4.4)</b>

The Group's revenue decreased by \$3.9 million or 4.4% from approximately \$88.3 million for the year ended 31 December 2011 to \$84.4 million for the year ended 31 December 2012.

On a geographical basis, revenue from Singapore and overseas dipped by 12.1% and 0.8% respectively in the FY 2012 as compared to FY 2011.

#### ORNAMENTAL FISH

During the current financial year, although the purchasing sentiments from the challenging European markets have retrieved gradually, it has not been restored completely. Nonetheless, the reduction in our ornamental fish revenue by approximately \$6.4 million or 15.1% in FY 2012, as compared to FY 2011, was mainly due to the significant decrease in the revenue from Dragon Fish as a result of the intense price competition caused by the oversupply of Dragon Fish. With the setting up of many new fish farms in Malaysia focusing in the production of Dragon Fish, the unexpected surge in the supply of Dragon Fish since the beginning of the year has resulted in a swift decline in its selling price. This has affected the Group's overall ornamental fish revenue in the current financial year.

#### ACCESSORIES

With the accessories business being more export-oriented, it managed to leverage on the Group's existing overseas distribution bases & network and the infrastructure available to explore more untapped markets with growth potential. The Group's subsidiaries in Malaysia, Thailand and China also managed to continue expanding their distribution network in those countries to capture more sales; hence, registering revenue of approximately \$36.9 million in FY 2012 for this business segment, which was approximately \$2.6 million or 7.5% higher than FY 2011.

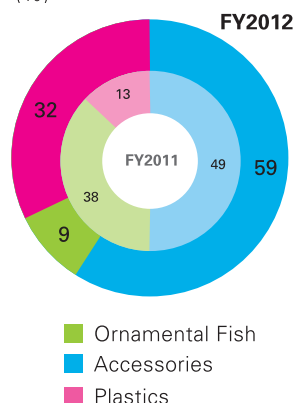
#### PLASTICS

The plastics business segment has registered stable revenue in the current financial year as compared to FY 2011 as it stays focused on generating revenue through enlarging the customer base and selling more varieties of plastic products.

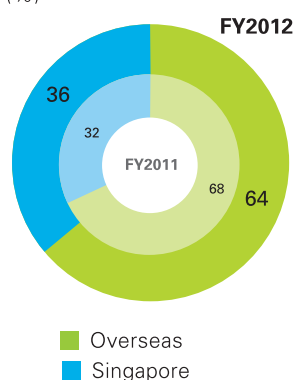


## PROFITABILITY

### REVENUE BY BUSINESS ACTIVITIES (%)



### REVENUE BY GEOGRAPHICAL LOCATION (%)



	Financial year ended 31 Dec		Increase (Decrease)	
	2012 \$'000	2011 \$'000	\$'000	%
Ornamental Fish	254	2,945	(2,691)	(91.4)
Accessories	1,717	1,647	70	4.3
Plastics	939	953	(14)	(1.5)
Unallocated corporate expenses	(2,309)	(2,346)	37	1.6
	<b>601</b>	<b>3,199</b>	<b>(2,598)</b>	<b>(81.2)</b>
(Loss) Gain on disposal of a subsidiary	(9,062)	952	(10,014)	
Impairment loss on investment in an associate	(222)	-	(222)	
	<b>(8,683)</b>	<b>4,151</b>	<b>(12,834)</b>	<b>(309.2)</b>

With the lower revenue contribution registered, the Group's operating profit before tax decreased by approximately \$2.6 million or 81.2% from approximately \$3.2 million in FY 2011 to \$0.6 million in FY 2012. Loss after taxation attributable to equity holders amounting to approximately \$9.1 million in FY 2012 was mainly due to the significant reduction in profit contribution from our ornamental fish business, coupled with a one-off investment loss as a result of the divestment in a subsidiary as well as impairment loss incurred in relation to the investment in an associate. The accessories business segment was the main profit contributor in the current financial year.

### ORNAMENTAL FISH

The significant dip in the operating profit from ornamental fish by approximately \$2.7 million or 91.4% from \$3.0 million in FY 2011 to approximately \$0.3 million in FY 2012 was mainly due to the following factors:-

- Significantly lower revenue registered as well as the intense price competition caused by the oversupply of Dragon Fish as mentioned above. As a result of the swift decline in its selling price, coupled with the gradual increase in overall operational costs, our conscientious efforts made to retain our market share has sliced off some profitability from our ornamental fish business as margins from the sales of these fish were dilapidated.

- The fair value of our breeder stocks as at 31 December 2012, which was determined based on the age, breed and genetic merit of similar fish that can be purchased from another supplier, was approximately \$0.2 million lower than that of the previous year. This has a negative impact on the profitability of the ornamental fish business in the current quarter.

### ACCESSORIES

Our reliant accessories export business continued to turn in higher revenue in FY 2012. However, the difference in sales mix, as well as the Group's on-going efforts to capture more sales has affected the profit margins of the accessories business to register an operating profit of approximately \$1.7 million in FY 2012, which was merely comparable to that of FY 2011.

### PLASTICS

Operating profit from plastics activities remained relatively constant on a year-on-year basis, which was in line with the stable revenue contribution from this business segment.

### UNALLOCATED CORPORATE EXPENSES

These were staff costs and administrative expenses incurred in relation to the overseeing of both the Group's local and overseas operations.

## Operating and Financial Review (cont'd)

**Total assets** – Decreased by \$28.0 million as at 31 December 2012. Decrease in property, plant & equipment, brooder stocks and inventories were as a result of the disposal of Kim Kang. Decreased in cash and cash equivalents were due to the utilisation of funds for settlement of bank loans, trade and other payables, in addition to the payment of dividends to shareholders. The reduction was partially offset by the increase in trade and other receivables mainly due to the higher credit sales generated in the 4th quarter of 2012 as well as the cash proceeds due from the purchasers of Kim Kang and advances due from Kim Kang.

**Total liabilities** – Decreased by \$8.5 million as at 31 December 2012 mainly due to decrease in total bank borrowings and tax liabilities by \$2.7 million and \$3.8 million respectively, as a result of excluding Kim Kang's bank borrowings and tax liabilities following its disposal in FY 2012, coupled with the prompt settlement of trade payments with cash generated from operations during the financial year.

**Shareholders' funds** – Decreased from \$63.4 million as at 31 December 2011 to \$52.5 million as at 31 December 2012. The decrease was mainly attributed to loss attributable to equity holders for the financial year as well as the payment of dividends to shareholders in April 2012.

**Non-controlling interests** – Decreased from \$10.2 million as at 31 December 2011 to \$1.6 million as at 31 December 2012 upon the disposal of Kim Kang in FY 2012.

### FINANCIAL POSITION

#### Total Assets

- Property, plant and equipment
- Brooder stocks
- Inventories
- Trade and other receivables
- Cash and cash equivalents

#### Total Liabilities

- Trade and other payables
- Tax liabilities
- Bank borrowings

#### Total Shareholders' funds

#### Total Non-controlling interests

	2012 \$'000	2011 \$'000	Change %
<b>Total Assets</b>	<b>77,942</b>	<b>105,945</b>	<b>(26.4)</b>
- Property, plant and equipment	7,123	13,047	(45.4)
- Brooder stocks	8,934	28,919	(69.1)
- Inventories	16,420	20,578	(20.2)
- Trade and other receivables	35,815	31,470	13.8
- Cash and cash equivalents	8,272	8,606	(3.9)
<b>Total Liabilities</b>	<b>23,822</b>	<b>32,321</b>	<b>(26.3)</b>
- Trade and other payables	9,570	11,588	(17.4)
- Tax liabilities	928	4,755	(80.5)
- Bank borrowings	13,295	15,978	(16.8)
<b>Total Shareholders' funds</b>	<b>52,529</b>	<b>63,434</b>	<b>(17.2)</b>
<b>Total Non-controlling interests</b>	<b>1,591</b>	<b>10,190</b>	<b>(84.4)</b>

### CAPITAL EXPENDITURE

In FY 2012, capital expenditure incurred was mainly for the enhancement of infrastructure and construction work undertaken by the Singapore and overseas on the farm facilities.

The Group does not foresee any substantial capital expenditure going forward, other than the on-going maintenance of its farm facilities.

#### CAPITAL EXPENDITURE (S\$'million)



## CAPITAL STRUCTURE & FINANCIAL RESOURCES

The Group maintains a strong balance sheet (Statement of Financial Position) and an efficient capital structure to maximise returns for shareholders. The Group has sufficient cash and cash equivalent and an adequate amount of standby credit facilities. Funding of working capital requirements and capital expenditure is through a mix of short-term money market borrowings and long-term loans.

As at 31 December 2012, credit facilities in the form of short-term loans, bank overdrafts, letter of credit and other banking facilities provided by major banks to the Group amounted to approximately \$21.0 million of which \$12.9 million was utilised.

### CASH & CASH EQUIVALENTS

Overall, the Group's cash and cash equivalents decreased by approximately \$0.3 million in FY 2012 to \$8.3 million as compared to approximately \$8.6 million a year ago.

Despite registering losses in the current financial year, the improvement in the Group's **net cash from operating activities** as compared to FY 2011 was due to lower inventory held, notwithstanding that the trade receivables balances has increased in accordance with the higher credit sales generated in the 4th quarter of 2012. In addition, the Group was able to better manage its cash flow by extending the credit terms with its regular suppliers for purchases made.

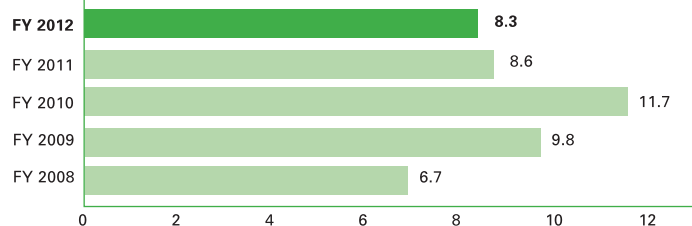
**Net cash used in investing activities** was mainly related to capital expenditure incurred for the on-going enhancement to the infrastructure and farm facilities in Singapore and overseas.

During the current financial year, cash proceeds from bank borrowings and advances received from minority shareholders of a subsidiary were utilised for the repayment of bank loans, payment of dividends to the non-controlling shareholder of a subsidiary and the settlement of finance lease liabilities on a monthly basis, as well as the servicing of interest payments. The above, coupled with the payment of final dividends to the shareholders of the Company in April 2012, resulted in **net cash used in financing activities**.

The movements in cash and cash equivalents during both financial years are set out as follows:

	2012 \$'000	2011 \$'000
Net cash from operating activities	3,584	1,653
Net cash used in investing activities	(1,551)	(1,671)
Net cash used in financing activities	(2,178)	(3,012)
Net decrease in cash and cash equivalents	(145)	(3,030)
<b>Cash and cash equivalents as at end of year</b>	<b>8,272</b>	<b>8,606</b>

### CASH AND CASH EQUIVALENTS (S\$'million)





## Operating and Financial Review (cont'd)

### BORROWINGS

The Group borrows from local and foreign banks in the form of short-term loans. All of the Group's borrowings are unsecured. The Group is in compliance with all borrowing covenants for the financial year ended 31 December 2012.

The amounts of the Group's borrowings for the both financial years are as set out below:

The unsecured **short-term loans** are revolving bank loans that bear interest at rates ranging from 1.23% to 1.50% (2011: 1.27% to 1.47%) per annum and are repayable within the next 12 months from the reporting date

The unsecured **long-term loans** as at 31 December 2011 were loans taken by Kim Kang, which was disposed off in the 4th quarter of 2012. These loans bore interest at rates ranging from 7.6% to 8.1% per annum and were repayable within 3 to 5 years from the reporting date.

#### Current liabilities:

- Bills payable to banks
- Finance lease liabilities
- Short term bank loans
- Long term bank loans

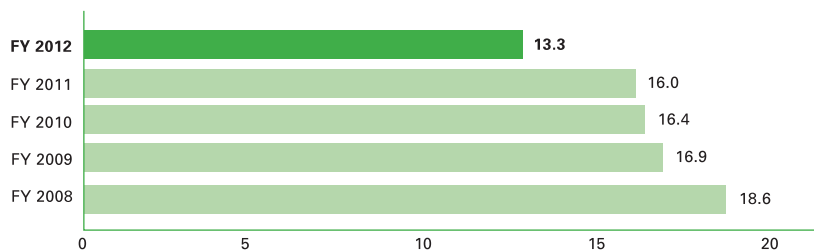
#### Non-current liabilities:

- Finance lease liabilities

#### Total borrowings

2012 \$'000	2011 \$'000
884	4,226
157	177
12,000	10,500
-	777
13,041	15,680
254	298
<b>13,295</b>	<b>15,978</b>

### BORROWINGS (S\$'million)



### CORPORATE GUARANTEES

As at 31 December 2012, there were corporate guarantees given by the Company to financial institutions for banking facilities extended to subsidiaries amounting to approximately \$8.8 million (2011: \$10.9 million).

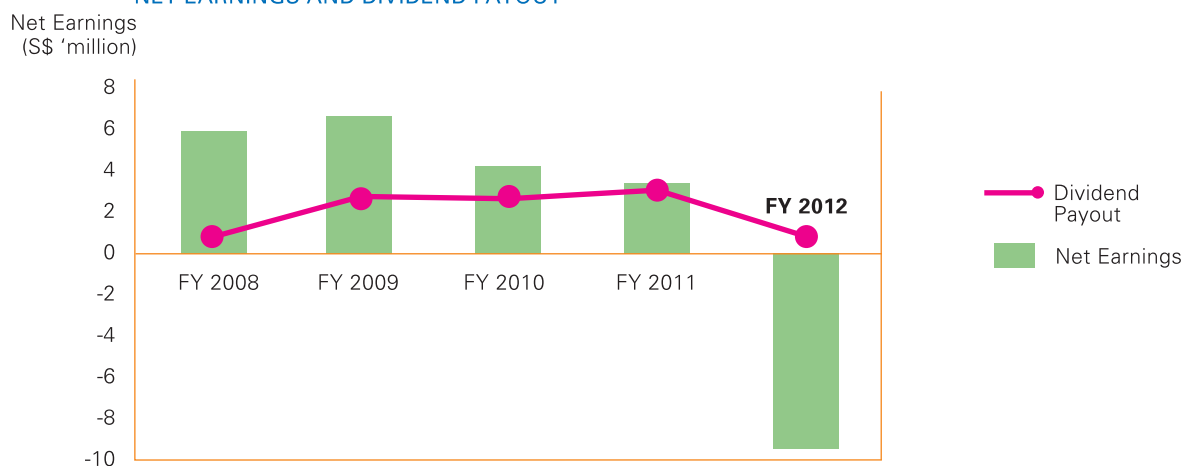
## SHAREHOLDER RETURNS

Although the Group has not set a concrete dividend policy at present, it would like to reward its loyal and supportive shareholders. Qian Hu paid a first and final cash dividend of 0.6 Singapore cents per ordinary share for the financial year 2011. For the financial year ended 31 December 2012, despite registering losses, the Directors are pleased to declare a first and final dividend of 0.2 Singapore cents per ordinary share (one-tier tax exempt). The proposed dividend, if approved by the shareholders of the Company at the forthcoming Annual General Meeting to be held on 15 March 2013, will be paid out on 12 April 2013.

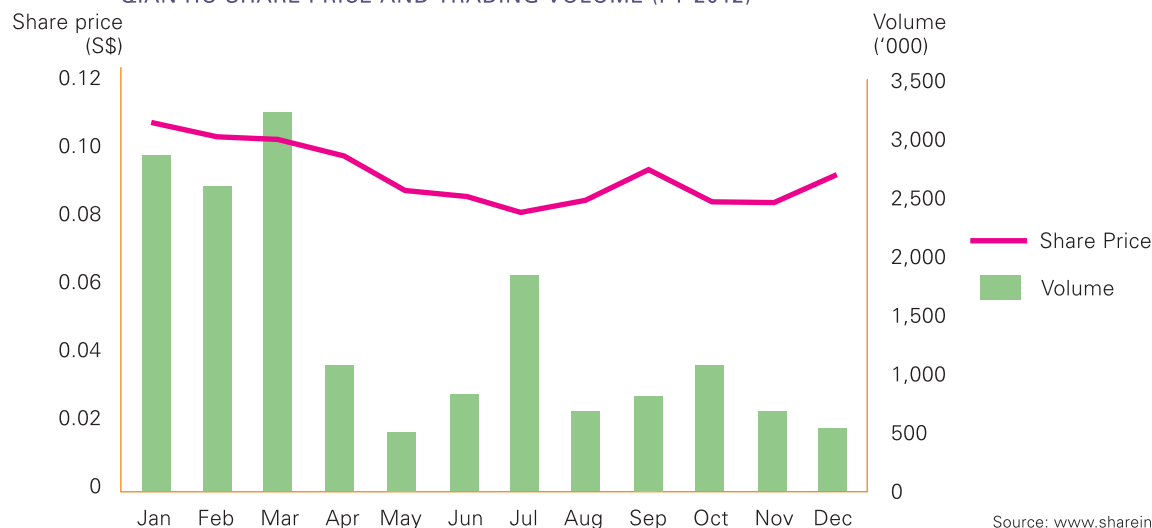
In addition, in connection with the disposal of Kim Kang, the Directors has recommended the payment of a special dividend of 0.5 Singapore cents per ordinary share (one-tier tax exempt) in October 2013, amounting to a cash payout of approximately \$2.3 million.

The proposed dividend took into consideration the Group's profit growth, cash position, positive cash flow generated from operations and the projected capital requirements for business growth. With minimal capital expenditure and investment in the foreseeable future, coupled with the cash management skill at work and the consistency in generating cash from operating activities, the Group is moving towards becoming a debt-free company with high dividend payout.

### NET EARNINGS AND DIVIDEND PAYOUT



### QIAN HU SHARE PRICE AND TRADING VOLUME (FY 2012)



Source: [www.shareinvestor.com](http://www.shareinvestor.com)

## Operating and Financial Review (cont'd)

### RISK FACTORS & RISK MANAGEMENT

Risk management forms an integral part of business management. The Group's risk and control framework is designed to provide reasonable assurance that business objectives are met by embedding management control into daily operations to achieve efficiency, effectiveness and safeguard of assets, ensuring compliance with legal and regulatory requirements, and ensuring the integrity of the Group's financial reporting and its related disclosures. It makes management responsible for the identification of critical business risks and the development and implementation of appropriate risk management procedures to address these risks. The risk management and control procedures are reviewed and updated regularly to reflect changes in market conditions and the activities of the Group.

The following set out an overview of the key risks faced by Qian Hu, the nature and the extent of the Group's exposure to these risks and the approach to managing these risks.

#### MARKET RISK

The Group currently operates in seven countries with assets and activities spreading across the Asia Pacific. The subsidiaries and associates in these countries are exposed to changes in government regulations and unfavourable political developments, which may limit the realisation of business opportunities and investments in those countries. In addition, the Group's business operations are exposed to economic uncertainties that continue to affect the global economy and international capital markets. Although these circumstances may be beyond its control, the Board and the management consistently keep themselves up-to-date on the changes in political, economic and industrial developments so as to be able to anticipate or respond to any adverse changes in market conditions in a timely manner.

As at 31 December 2012, approximately 22% of the Group's assets are located overseas, while revenue from its overseas' customers constitute approximately 71% of the total revenue in FY 2012. In view of the Group's growth prospects, the percentage of its overseas assets and activities will continue to increase moving forward. The effect of greater geographical diversification reduces the risk of concentration in a single operation.

#### OPERATIONAL RISK

Operational risk is the potential loss caused by a breakdown in internal process, deficiencies in people and management, or operational failure arising from external events. The Group strives to minimise unexpected losses and manage expected losses through a series of quality and people management programs, as well as through business continuity planning. The Group has been awarded ISO 9001:2008 certification for its local businesses as well as its overseas subsidiaries. It has also achieved ISO 14001:2004 certification for its environmental management system to preserve natural resources and minimise wastage.

Although Qian Hu has always been viewed as a family business largely run and controlled by the Yap family, it is in fact run by a team of dedicated Qian Hu family members and professional managers, not solely by the Yap family members. Although no individual is indispensable, the loss of specialised skills and the leadership of the Executive Chairman & Managing Director, Mr Kenny Yap, and the other founding members, including the key management, could result in business interruptions and a loss in shareholders' confidence. To dispel the worries, the Group has since put in place a structured succession planning program to identify and develop a team of talented employees based on their merit – family members are not given special preferences – who can take Qian Hu to the next lap of growth. The Group believes that training a team of next-generation leaders is critical to the continuity of the business which should last beyond this generation.



## PRODUCT RISK

Ornamental fish, like other livestock, is susceptible to disease and infection. However, different breeds of fishes are vulnerable to different types of diseases. While it is possible that a rare or virulent strain of bacteria or virus may infect a particular breed of fish in the farm, fatal infection across breeds at any one point in time is uncommon. The Group has institutionalised a comprehensive health management and quarantine system for all its domestic and overseas operations to ensure a consistently high standard of good health care management and hygiene for the fishes. Currently, all the Group's domestic and overseas fish operations have attained ISO 9001:2008 certification, including the breeding of Dragon Fish. There is no known disease that is fatal to the Dragon Fish because of its primitive and prehistoric origin.

Although Dragon Fish sales contributed approximately 15% of the Group total revenue for the year ended 31 December 2012, it sells over 1,000 species and varieties of ornamental fish and more than 3,000 kinds of accessories products to more than 80 countries and are not solely reliant on the sale of any particular type or species of fish or accessories products. The Group is diversified in both its products and markets.

Additionally, the Group has formed a R&D team in FY 2009, focusing on research of Dragon Fish breeding behaviour, fish disease diagnosis and cure, product innovation on aquarium accessories, and new form of ornamental fish farming technology.

## CLIMATE CHANGE & ENVIRONMENTAL RISK

Climate change and environmental risk is a growing concern especially in the last few years. The recent spate of natural disasters and continuing threat of future occurrences have prompted companies, Qian Hu alike, to embark on strategic reviews on key areas such as infrastructure and logistics, to minimise the business impact of untoward events. The Group will also explore the feasibility of pursuing high-end aquaculture, such as bio-secured farming of selected fish species, to mitigate and manage risks related to adverse weather conditions, and to ensure consistent supply of these fish species.

## INVESTMENT RISK

The Group grows businesses through organic growth of its existing activities, development of new capabilities (e.g. product innovation) and through new ventures with business partners. Business proposals and investment activities are evaluated through the performance of due diligence exercise and where necessary, supported by external professional advice. All business proposals are reviewed by the Company's Board of Directors and its senior management before obtaining final Board approval.

## FOREIGN EXCHANGE RISK

The foreign exchange risk of the Group arises from sales, purchases and borrowings that are denominated in currencies other than Singapore dollars. The currencies giving rise to this risk are primarily the United States dollar, Euro, Malaysian Ringgit and Chinese Renminbi.

The Group does not have any formal hedging policy against foreign exchange fluctuations. However, it continuously

monitor the exchange rates of major currencies and enter into hedging contracts with banks from time to time whenever the management detects any movements in the respective exchange rates which may impact the Group's profitability.

Foreign currencies received are kept in foreign currencies accounts and are converted to the respective measurement currencies of the Group's companies on a need-to basis so as to minimise foreign exchange exposure.

## CREDIT RISK

Credit risk is the potential financial loss resulting from the failure of a customer or counterparty to settle its financial and contractual obligations to the Group as and when they fall due. Credit risk is managed through the application of credit approvals, performing credit evaluations, setting credit limits and monitoring procedures.

None of the Group's customers or suppliers contributes more than 5% of its revenue and purchases. It is the Group's policy to sell to a diversity of creditworthy customers so as to reduce concentration of credit risk. Cash terms, advance payments are required for its customers with lower credit standing.

While the Group faces the normal business risks associated with ageing collections, it has adopted a prudent accounting policy of making specific provisions once trade debts are deemed not collectible. Accordingly, the Group does not expect to incur material credit losses on its risk management or other financial instruments.

## INTEREST RATE RISK

Interest rate risk is managed by the Group on an on-going basis with the objective to limit the extent to which the Group's results could be affected by an adverse movement in interest rate.

The Group's cash balances are placed with reputable banks and financial institutions. For financing obtained through bank borrowings and finance lease arrangements, the Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

The Group is progressively improving its debt position and it aims to move towards becoming a debt-free company will also address this risk.

## LIQUIDITY RISK

The objective of liquidity management is to ensure that the Group has sufficient funds to meet its contractual and financial obligations as and when they fall due. To manage liquidity risk, the Group monitors its net operating cash flow and maintains a level of cash and cash equivalents deemed adequate by management for working capital purposes so as to mitigate the effects of fluctuations in cash flows. Over the years, the Group has enhanced its ability to generate cash from operating activities. Accordingly, the Group envisages that its cash position will continue to improve, hence reducing liquidity risk.

## DERIVATIVE FINANCIAL INSTRUMENT RISK

The Group does not hold or issue derivative financial instruments for trading purposes.

## INVESTOR RELATIONS

Firmly committed to corporate transparency and governance in the conduct of our business, we proactively engage with our stakeholders – investors, analysts and media – on a regular basis to ensure clear and timely updates of financial information.

By supplying our stakeholders with reliable and transparent information, we are strengthening the relationships that are based on trust and accessibility. We want our shareholders to know they are investing in a company that is committed to growth, innovation and social responsibility for the long term.

Since our listing in 2000, we have invited analysts, fund managers, the media and a small group of forum participants from Shareinvestor.com to our half-year and full-year results briefings. Our Senior Management team – led by Executive Chairman, Deputy Managing Directors and Finance Director – is present during these meetings to provide business update and industry outlook for a deeper understanding of our business and industry.





We believe we are the only SGX-listed company to distribute a “mini annual report” – containing a Chairman’s Statement, press releases, presentation slides, Financial Statements and Factsheet – during our year-end results briefings. Qian Hu continues to harness the power of technology to provide greater accessibility for investors and shareholders to its results briefings. Since 2005, Qian Hu has been providing live audio-cast access via Shareinvestor.com, where listeners have the option to post questions online in real-time during the briefings. For those who prefer something more visual, investors have the option of watching our recorded video webcasts as well. We are also the first listed company to engage the investing community via the Q&A online forum conducted every quarter after our results release in 2001.

We always welcome visits by analysts and fund managers to our farm, as well as participate in investor roadshows to actively engage the investment community. We aim to grow our business and market capitalisation to a point that will attract more institutional interest and equity research coverage.

Our investor relations website is kept updated regularly with comprehensive data comprising announcements to Singapore Exchange Securities Trading Limited (SGX-ST), calendar of events, financial results, annual reports and presentation slides. It also includes the corporate governance report, investors’ Q&As and minutes of AGMs.

The Annual General Meeting is an important platform for shareholder communications. 53 shareholders and proxies attended our 13th AGM held on 15 March 2012. The Board of Directors and senior management were present to answer shareholders’ queries and listen to their feedback.

Qian Hu is also the first listed company to post detailed minutes including our shareholders’ questions and comments, as well as answers from the Management on the SGX and the Company’s website after these meetings.

## AWARDS & ACCOLADES

2012 was a year of recognition for Qian Hu as we received two accolades. We were pleased to clinch the Top Honours award in the Small & Medium Enterprise category at the Singapore Sustainability Awards 2012 in June. This award marks the recognition for our long-standing commitment towards building a sustainable business and environment.

We also received our second accolade – the Best Annual Report in the Companies with less than \$300 million in market capitalisation category – at the Singapore Corporate Awards 2012 in July.

Over the years, our focus on the best practices in corporate transparency and governance has also won us recognition such as the Most Transparent Company Award from the Securities Investors Association (Singapore) since 2001.

In 2011, Qian Hu received the top award for Best Investor Relations amongst companies with market capitalisation of less than \$300 million, and in 2010, we were the first SME to receive the Gold award for the Best Managed Board at the Singapore Corporate Awards. In 2009, we were the first company in the history of the Singapore Corporate Awards to bag four awards in the same year, namely, Best Managed Board (Merit); Chief Financial Officer of the Year; Best Investor Relations (Bronze) and Best Annual Report (Gold), amongst listed companies with less than \$300 million in market capitalisation.





## OUR HR PHILOSOPHY

Being a service-oriented company, Qian Hu sees our people as a critically important asset, and continues to engage in developing our staff to their fullest potential, thereby nurturing a competent workforce that is able to contribute effectively to Qian Hu's growth.

People Excellence, Customer Focus, Quality Excellence and Financial Strength, are the four strategic values that Qian Hu has been committed to all these years. These strategic values form the essence of Qian Hu and help steer our core operations.

Awarded the People Developer Standard in 2006 and winner of Singapore's coveted People Excellence Award in 2009, Qian Hu remains committed to developing excellence in our people, through staff development and human resource management.

As at 31 December 2012, the Group has 515 employees, of which 197 are based in Singapore, while the remaining 318 are from our overseas subsidiaries in Malaysia, Thailand, China and Indonesia. Of our total workforce, 16.7% have been with us for more than 10 years and 22.1% for between 5 to 10 years.

We believe that our track record of retaining our staff is attributable to our unique "People First" corporate culture which seeks to integrate everyone into the extended Qian Hu family.

Teamwork, entrepreneurship are deeply entrenched in our corporate culture and we believe our emphasis on these tenets will continue to nurture a competent workforce. All members are encouraged to converge fun and creative thinking in our daily lives, not limited to just the workplace but outside of work as well.





## STAFF COMMUNICATIONS

To keep our staff informed of the Group's developments, we publish bi-annual in-house newsletters "FISH MATRIX" which are disseminated via hard copies and made available on our website as well. All divisional senior managers also hold regular briefings to ensure that important and inspiring messages are personally delivered and emphasised.

## TRAINING

Our training budget is pegged at 2% of our total payroll, and each staff spends approximately 47 hours on average in training for 2012. Apart from on-the-job training, staff were sent for training on workplace safety, supervisory skills, problem solving and language enhancement courses. In fact, Qian Hu's training participation rates for past years and training intensity as defined by the Ministry of Manpower, are comparable and better in most categories than the national averages.

We are pleased that our investment in staff development have won our very first Service Excellent Awards (Silver) awarded by Spring Singapore. One of our staff, Mr Lau Xen Lin, from our Retail Sales, received three compliments for going the extra mile for his customers.

## FEEDBACK PLATFORMS

Qian Hu takes a holistic approach in assessing the performance of the organisation as a whole, which also serves as a gateway to building stronger working relationships across all levels. Appraisal tools are used to assess the effectiveness of our senior managers in terms of their leadership and personal involvement in maintaining an innovative, customer-focused and people-centric environment. An Employees Opinion Survey is also used to provide feedback, thus enabling the senior management team to gain awareness on how others perceive their behaviour and performance as a leader.

To assess the effectiveness of the senior managers' quality improvement efforts, we conduct a qualitative study on the



major fish exporters and pet chain stores across the country, as well as in-depth interviews with our key customers and business partners on an annual basis. These findings are organised into a checklist to evaluate the effectiveness of the managers' efforts.

## QIAN HU'S SUCCESSION PLANNING

Succession planning is an essential process for maintaining growth momentum and business continuity, no matter how certain the future holds. We recognise that no one is indispensable, but the absence or loss of key management can be detrimental, resulting in a loss of shareholder confidence. Modelling the succession planning policies in some of the larger organisations, Qian Hu has put in place a structured succession planning programme as early as 2004. This is because we recognise that it would take some 10 to 15 years for the next generation to garner sufficient experience to take over the leadership of the Group.

We are not looking for a single talent, but rather a cohesive team that will take Qian Hu to the next lap of growth. We have identified a team who has the potential to be Qian Hu's future leaders, and out of this group, one will be chosen to be the next CEO. This decision will be based on assessments from the Board's nominating committee; peer appraisals, individual track record and performance. Performance recognition at Qian Hu has always been, and will continue to be, based on merit. It is our company policy that family members will not be given any special preferences.

The person whom we are grooming to be Qian Hu's future CEO must embrace our corporate culture and values wholeheartedly. The new CEO must be able to put the interest of the company before personal interest, be able to handle stress, and yet be hungry and ambitious. This is necessary because the Group must not rest on its laurels but continue to progress and evolve. With the current senior management as their mentors, all of our management trainees are rotated to handle different portfolios. Those who are capable must be able to take on overseas assignments and be able to reliably perform in challenging environments.



# SUSTAINABILITY REPORT





## AN ORGANISATION WITH A HEART

“At Qian Hu, we believe that growth and progress should not be at the expense of environmental and social well-being, that economic interests can be aligned with environmental-social objectives to build successful businesses which are sustainable for our future generations.”

Qian Hu believes in creating a sustainable business strategy compatible with profitability. As a Group, we have been aware about the importance of Corporate Social Responsibility and the impact of our operations on the environment and our stakeholders.

We aspire to be an organisation with a heart – one that is continually aware of any impact that our business activities or actions may have on the environment, consumers, as well as the needs of the underprivileged around us. In January 2012, we published first Sustainability Report in our Annual Report for FY2011, and are pleased to have obtained the minimum Application Level C Statement based on FY2011 figures from the internationally-acclaimed Global Reporting Initiative (GRI) – one of the world’s standard for sustainability reporting.

We are also pleased to have clinched Top Honours in the Small & Medium Enterprise category at the Singapore Sustainability Awards 2012 organised by the Singapore Business Federation. Presented in June 2012, this award marks the first recognition we received for our long-standing commitment towards building a sustainable business and environment.

By making a commitment to report on our sustainability efforts, Qian Hu hopes to continue our tradition of instilling goodwill and confidence in our expanded sphere of stakeholders that have interests beyond corporate profitability.



The above “Application Level C” statement applies to FY2011 figures submitted and approved by The Global Reporting Initiative (“GRI”) on 19 October 2012. Qian Hu is currently in the midst of collating FY2012 figures which will be reported in Annual Report 2013.

## SCOPE OF REPORT

Qian Hu's sustainability reporting is based on the GRI G3 principles and framework. The aim of this report is to provide readers with an accurate, complete and reliable report which contains meaningful information on how we manage sustainability issues in our business sectors. Most of the data collected are from our Singapore headquarters. We will extend data collection to our other subsidiaries in Malaysia, Thailand, China, Indonesia and India in the near future.

Further information on corporate governance, risk management and investor relations, which are part of sustainability, can be found under pages 57-77, pages 40-41, pages 42-43 respectively.

This report is checked against the GRI 3 Framework as Application Level C and addresses activities and data that fall within the company's financial year for the period from January 1 to December 31, 2012. We are currently in the midst of submitting FY2012 data to GRI for review.

## QIAN HU'S SUSTAINABILITY POLICY

As a company that focuses on creating a sustainable business strategy compatible with profitability, our values as a responsible corporate citizen are reflected in the following principles:



### CODE OF CONDUCT AND BUSINESS ETHICS

We have established a Code of Conduct and Business Ethics that sets the principles of our conduct and business ethics which applies to all employees of the Group. This code covers areas such as conduct in workplace, business conduct, protection of the Company's assets, confidentiality of information and conflict of interest, etc.

A whistle-blowing mechanism was also established to aid in the deterrence and reporting of corporate misconducts. We do not engage in child labour or take unethical means, directly or indirectly to manufacture or provide business services in our business endeavours. By "indirectly", we are saying that we do not engage in business with partners, suppliers or third party manufacturers that are known to use unethical means in their business processes.

### HEALTH, SAFETY AND THE ENVIRONMENT

Management of health, safety and the environment is high on our list of priorities. We continuously seek to minimise the impact of our activities through water and energy conservation, as well as having a robust workplace safety management programme.

### EMPLOYEES

We believe in engaging and developing our staff to their fullest by providing opportunities for development and growth.

### COMMUNITY

We believe in giving back to the society through supporting various charitable initiatives and community partnerships.

## MANAGING SUSTAINABILITY – IDENTIFICATION OF KEY SUSTAINABILITY ISSUES

The Group has adopted the Materiality Matrix approach to identify and prioritise key sustainability issues. Feedback was gathered from its stakeholders which formed the basis for determining the Qian Hu's Materiality Matrix.



Issues that are material to Qian Hu are reviewed on an ongoing basis as the company continues to grow.

## STAKEHOLDER ENGAGEMENT

We aim to align our business interests with that of our stakeholders. By assessing the significance of each stakeholder's interest in sustainability and the potential impact of stakeholders on our business, we identified the following key stakeholders.

STAKEHOLDERS	QIAN HU'S COMMITMENT
<b>Our Investors</b>	Maximise shareholder returns through strong fundamentals and prudent strategies
<b>Our Customers</b>	Maximise customer satisfaction through the quality of our fishes and our innovative pets and aquarium accessories products
<b>Our Employees</b>	Maximise the full potential of our workforce through staff development and human resource management
<b>Our Partner Agencies</b>	Maximise our role through partnership with regulatory and non-governmental organisations in the pursuit of achieving the highest environmental, health and safety standards.
<b>Our Community</b>	Minimise our impact on the environment and contribute to the communities we operate in as a responsible corporate citizen.





## RISK FACTORS AND RISK MANAGEMENT

Risk management forms a critically important part of business management. The Group's risk and control framework is designed to provide reasonable assurance that business objectives are met by embedding management control into daily operations to achieve efficiency, effectiveness and safeguard of assets, ensuring compliance with legal and regulatory requirements, and ensuring the integrity of the Group's financial reporting and its related disclosures.

It makes management responsible for the identification of critical business risks and the development and implementation of appropriate risk management procedures to address these risks. The risk management and control procedures are reviewed and updated regularly to reflect changes in market conditions and the activities of the Group.

RISK FACTORS	RISK MANAGEMENT
<b>Country Risk</b>	As at 31 December 2012, approximately 22% of the Group's assets are located overseas, while revenue from overseas' customers constitute approximately 71% of the total revenue in FY2012. Political, economic and industrial developments may affect our overseas assets and activities. The Group will continue to increase the percentage of its overseas assets and activities to reduce the risk of concentration in a single operation.
<b>Operational Risk</b>	The Group has put in place a structured succession planning programme to identify and develop a team of talented employees based on their merit – family members are not given special preferences – who can take Qian Hu to the next lap of growth.
<b>Product Risk</b>	The Group has institutionalised a comprehensive health management and quarantine system for all its domestic and overseas operations to ensure the health of its fishes. A R&D team was also formed in 2009 to focus on the research of Dragon Fish breeding behaviour, fish disease diagnosis and cure, product innovation on aquarium accessories, and new forms of ornamental fish farming technology.
<b>Climate Change &amp; Environmental Risk</b>	Climate change and environmental risk is a growing concern especially in the last few years. The recent spate of natural disasters and continuing threat of future occurrences have prompted companies, Qian Hu alike, to embark on strategic reviews on key areas such as infrastructure and logistics, to minimise the business impact of untoward events. Our Group will also explore the feasibility of pursuing high-end aquaculture, such as bio-secured farming of selected fish species, to mitigate and manage risks related to adverse weather conditions, and to ensure consistent supply of these fish species.
<b>Investment Risk</b>	The Group grows business through organic growth of its existing activities, development of new capabilities and joint ventures. All business proposals are reviewed by the Company's Board of Directors and its senior management before obtaining final Board approval.
<b>Foreign Exchange Risk</b>	Although the Group does not have any formal hedging policy against foreign exchange fluctuations, it continuously monitors the exchange rates of major currencies and enters into hedging contracts with banks on a need-to basis.
<b>Credit Risk</b>	The Group has a policy to sell to a diversity of creditworthy customers so as to reduce concentration of credit risk. Cash terms, advance payments are required for its customers with lower credit standing.
<b>Interest Rate Risk</b>	The Group's cash balances are placed with reputable banks and financial institutions. It is also the Group's policy to obtain the most favourable interest rates available without increasing its foreign currency exposure for financing obtained through bank borrowings and finance lease arrangements.
<b>Liquidity Risk</b>	The Group monitors its net operating cash flow and maintains a level of cash and cash equivalents deemed adequate for working capital purposes to mitigate the effects of fluctuations in cash flows.
<b>Derivative Financial Instrument Risk</b>	The Group does not hold or issue derivative financial instruments for trading purposes.

## HEALTH, SAFETY AND THE ENVIRONMENT

Preserving the environment is necessary for the long-term sustainability of our business. While creating value in our business, we aim to minimise the impact that our activities have on the environment. Since 1998, Qian Hu fully complies with the regulatory requirements of our ISO14001 Environmental Management System where we strive to preserve and recycle our natural resources, such as water, in our daily activities of fish breeding, nurturing, retailing and export. Our operations are also compliant with the standards set out by the United Nations' Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

### QIAN HU'S ENVIRONMENT POLICY

In order to minimise the environmental impacts of our operations, we are committed to:

- Comply with all applicable laws, regulations and standards. We will also collaborate with the authorities and with other companies within the industry to develop standards and practical guides aimed at protecting natural resources, and the environment.
- Undertake programmes of continual improvement and pollution prevention.
- Reduce the use of environmental unfriendly packing materials and strive to develop alternative practices using new technologies, when available
- Reduce resource consumption and waste generation.
- Provide the necessary training and support to staff.
- Conduct regular reviews to ensure compliance.



Qian Hu is committed to operating its business in a manner that is socially responsible to the environment. We have been continuing our efforts in recycling and waste management in all aspects of operational controls in our daily activities.

## WATER AND ENERGY MANAGEMENT

Water is vital for our fish farm operations and has always been our key focus to reduce and reuse. In FY2012, over 90% of our water consumption came from recycled water that is channelled from our in-house rainwater catchment areas built within the farm. We are also mindful of our energy consumption by tracking and implementing measures to reduce and promote the reduction of energy consumption. In addition, we have also switched to alternative sources of energy through the use of solar panels in one of our subsidiaries. Through these efforts, although more production machines and fish tanks were added in FY2012, we have managed to maintain the increase in energy consumption under 10%.

## WASTE MANAGEMENT AND RECYCLING

Through our waste management program put in place to track waste and recycling, our paper consumption in the Operations department has been effectively reduced by 12%. In addition, Qian Hu's Annual Reports have been printed using either recycled or environmentally friendly paper since FY2007.

## WORKPLACE SAFETY

Workplace safety is a priority at Qian Hu. In 2012, only one work-related incident was reported. The worker's finger was pierced by a stingray. Operations Managers constantly remind our staff to be careful in work.

We regularly send staff for related certified training in workplace safety and first aid. We also have a defibrillator machine in the public area to aid in medical emergencies. Our HR department tracks and reports on industrial accidents/injuries, and if required, claims will be filed accordingly. Department heads, supervisors and staff were briefed to directly inform HR department on all accidents/injuries, including minor cuts.

## EMPLOYEE RELATIONS

### OUR PEOPLE POLICY

As at 31 December 2012, the Group has 515 employees of which 197 are based in Singapore, while the remaining 318 are from our overseas subsidiaries in Malaysia, Thailand, China and Indonesia. At Qian Hu, our people are indeed our biggest asset, and pivotal to our continued sustainability as a global leader in ornamental fish breeding and distribution. We believe in engaging and developing our staff to their fullest potential, and nurturing a motivated workforce who will spearhead the Group's growth. Each year, our training budget is pegged at 2% of our total payroll, with each employee undergoing some 47 hours of training hours. We place a strong emphasis on safety, and during the year in review, a total of 64 employees were sent for workplace safety training as well as other skills enhancement training.





## HUMAN RIGHTS

Qian Hu is compliant with the standards set out by the United Nations' Convention on International Trade in Endangered Species of Wild Fauna and Flora (CITES).

As a corporation with a heart, Qian Hu is committed to respecting human rights. This commitment is stipulated in Section 5 of our Group's Code of Conduct ("Respect for Human Rights"):

- We treat all employees with respect and dignity and give fair treatment, irrespective of nationality, race or religion.
- We do not engage in child labour or take unethical means, directly or indirectly to manufacture or provide business services in our business endeavours. Indirectly means we do not engage in business with partners, suppliers or third party manufacturer that use such unethical means in their processes.
- We adopt the principles of Fair Employment practices, for example, recruit employees based on merit, regardless of age, race, gender, religion or physical disabilities in relation to the job requirement. We also provide equal opportunity for training and development. We abide by labour laws and appropriate guidelines that promote fair employment practices.

## EMPLOYEE TURNOVER

Currently for our Singapore operations, our employee turnover rate is 1.52% of our staff strength. This is below the Singapore's average index of 2.30%.

## STAFF PERFORMANCE AND CAREER DEVELOPMENT REVIEW

We take a holistic view on staff performance evaluations and our appraisal tools are used to assess the effectiveness of senior managers as well as employees. In addition, our employees are strongly encouraged to fill out a survey to provide feedback to senior management. Over the years, more than 80% of our employees have participated in the surveys. Our Employee Engagement Index has also been above 3.5.

## BUSINESS CONTINUITY/SUCCESSION PLANNING

To ensure business continuity, Qian Hu has put in place a structured succession planning programme which began as early as 2004. This is because we recognise that it would take some 10 to 15 years for the next generation to garner sufficient experience to take over the leadership of the Group. We have identified a team who have the potential to be Qian Hu's future leaders, and out of this group, one will be chosen to be the next CEO and the criteria will be based on assessments from the Board's nominating committee, peer appraisals and individual performance.

Performance recognition at Qian Hu, has always been, and will continue to be, based on merit – it is our Company policy that family members will not be given any special preference.

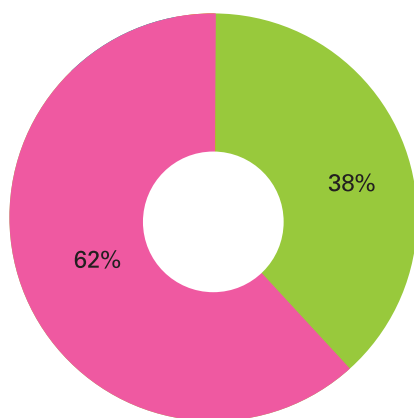
## COMMUNITY ENGAGEMENT

Qian Hu's community engagement policy is based on 3Cs – Charity, Community and Commitment.

- The Group's senior management takes the lead by pledging higher donations and committing more time for charity activities. Since 2001, the Group has a dollar-for-dollar donation programme – Qian Hu matches every dollar that staff donates and these are donated for specific charities.
- Over the years, Qian Hu's contribution to charities averaged 1.40% of the Group's PBT which is well above Singapore's national average of 0.23%.
- Qian Hu organizes an annual exhibition at popular shopping malls and organizes free farm visit for underprivileged children and the handicapped. Through its subsidiary in Malaysia, the Group donates dog food to animal shelters. Qian Hu also donates fish to schools and helps to increase stocks in reservoirs.
- In 2012, Qian Hu has committed over 48 hours on public speaking and sharing sessions with the wider community in support of business excellence and best practices. 1,460 participants ranging from local institutions and schools to overseas business groups have benefitted from these sharing sessions.
- Qian Hu also offers internships to the Teachers' Network and various polytechnics.

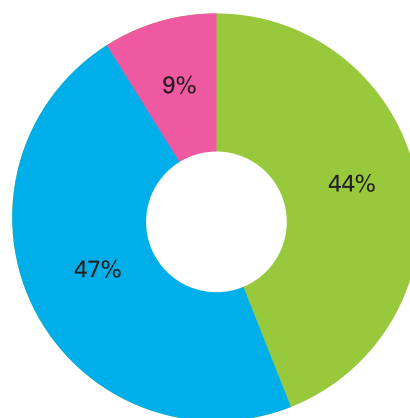
## EMPLOYEE STATISTICS (QIAN HU GROUP)

EMPLOYEES BY LOCATION



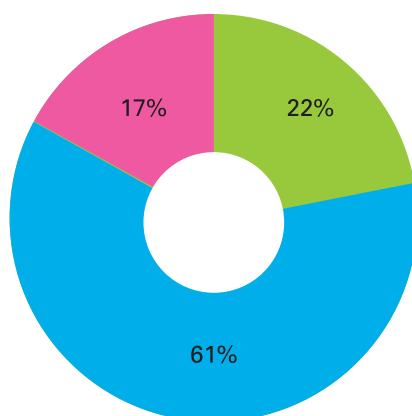
■ Singapore  
■ Overseas Subsidiaries

EMPLOYEES' AGE DISTRIBUTION



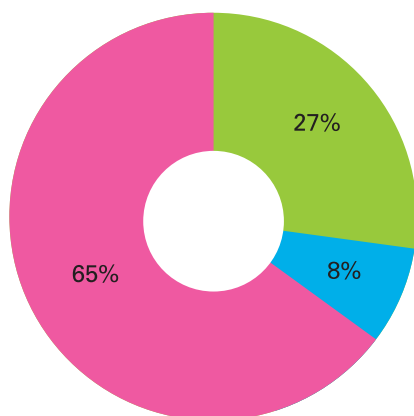
■ Age 30 to 50 yrs old  
■ Under 30 yrs old  
■ Above 50 yrs old

LENGTH OF SERVICE



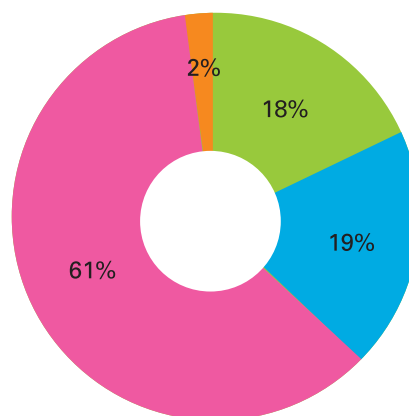
■ 5 to 10 yrs  
■ Less than 5 yrs  
■ More than 10 yrs

EMPLOYEES' CATEGORY



■ Middle Management & Executive  
■ Key Management  
■ Admin & Others

EDUCATIONAL QUALIFICATIONS



■ Diploma & Equivalent  
■ Degree & Above  
■ Secondary & Below  
■ Skill Certificates

## GRI STANDARD DISCLOSURES AND INDICATORS TABLE

GRI REF.	GRI INDICATOR	QIAN HU DISCLOSURE WEBSITE LINK	ANNUAL REPORT SECTION/
STRATEGY AND ANALYSIS			
1.1	Statement from the most senior decision-maker of the organization.	AR pg 16-17	Chairman's Statement
ORGANIZATIONAL PROFILE			
2.1	Name of the organization.	AR Front Cover	Annual Report Front Cover
2.2	Primary brands, products, and/or services.	AR pg 32	Operating and Financial Review
2.3	Operational structure of the organization, including main divisions, operating companies, subsidiaries, and joint ventures.	AR pg 26	Group Structure
2.4	Location of organization's headquarters.	AR Back Cover	Annual Report Back Cover
2.5	Number of countries where the organization operates, and names of countries with either major operations or that are specifically relevant to the sustainability issues covered in the report.	AR pg 26	Group Structure
2.6	Nature of ownership and legal form.	AR pg 137	Statistics of Shareholders
2.7	Markets served (including geographic breakdown, sectors served, and types of customers/beneficiaries).	AR pg 32	Operating and Financial Review
2.8	Scale of the reporting organization.	AR pg 32	Operating and Financial Review
2.9	Significant changes during the reporting period regarding size, structure, or ownership.	AR pg 16-17	Chairman's Statement
2.10	Awards received in the reporting period.	AR pg 27	Awards and Accolades
REPORT PARAMETERS			
3.1	Reporting period (e.g., fiscal/calendar year) for information provided.	AR: Pg 48	Sustainability Report: Scope of Report
3.2	Date of most recent previous report (if any).	AR: Pg 48	Sustainability Report: Scope of Report
3.3	Reporting cycle (annual, biennial, etc.)	AR: Pg 48	Sustainability Report: Scope of Report
3.4	Contact point for questions regarding the report or its contents.	QianHu Website	<a href="http://www.qianhu.com">http://www.qianhu.com</a>
3.5	Process for defining report content.	AR: Pg 48	Sustainability Report: Scope of Report
3.6	Boundary of the report (e.g., countries, divisions, subsidiaries, leased facilities, joint ventures, suppliers). See GRI Boundary Protocol for further guidance.	AR: Pg 48	Sustainability Report: Scope of Report
3.7	State any specific limitations on the scope or boundary of the report (see completeness principle for explanation of scope).	AR: Pg 48	Sustainability Report: Scope of Report
3.8	Basis for reporting on joint ventures, subsidiaries, leased facilities, outsourced operations, and other entities that can significantly affect comparability from period to period and/or between organizations.	AR: Pg 48	Sustainability Report: Scope of Report
3.10	Explanation of the effect of any re-statements of information provided in earlier reports, and the reasons for such re-statement (e.g., mergers/acquisitions, change of base years/periods, nature of business, measurement methods).	AR: Pg 48	Sustainability Report: Scope of Report
3.11	Significant changes from previous reporting periods in the scope, boundary, or measurement methods applied in the report.	AR: Pg 48	Sustainability Report: Scope of Report
3.12	Table identifying the location of the Standard Disclosures in the report.	AR: Pg 55-56	Qian Hu's GRI Standard Disclosures and Indicators Table



GRI REF.	GRI INDICATOR	QIAN HU DISCLOSURE	ANNUAL REPORT SECTION/ WEBSITE LINK
GOVERNANCE, COMMITMENTS, AND ENGAGEMENT			
4.1	Governance structure of the organization, including committees under the highest governance body responsible for specific tasks, such as setting strategy or organizational oversight.	AR: Pg 57-77	Corporate Governance Report
4.2	Indicate whether the Chair of the highest governance body is also an executive officer.	AR: Pg 57-77	Corporate Governance Report
4.3	For organizations that have a unitary board structure, state the number of members of the highest governance body that are independent and/or non-executive members.	AR: Pg 57-77	Corporate Governance Report
4.4	Mechanisms for shareholders and employees to provide recommendations or direction to the highest governance body.	AR: Pg 57-77	Corporate Governance Report
4.14	List of stakeholder groups engaged by the organization.	AR: Pg 49	Sustainability Report: Stakeholder Engagement
4.15	Basis for identification and selection of stakeholders with whom to engage.	AR: Pg 49	Sustainability Report: Managing Sustainability – Identification of Key Sustainability Issues
ECONOMIC			
EC1	Direct economic value generated and distributed, including revenues, operating costs, employee compensation, donations and other community investments, retained earnings, and payments to capital providers and governments.	AR: Pg 32-39 AR: Pg 53	Operating and Financial Review Sustainability Report: Community Engagement
ENVIRONMENTAL			
EN3	Direct energy consumption by primary energy source.	AR: Pg 51-52	Sustainability Report: Health, Safety and the Environment
EN8	Total water withdrawal by source.	AR: Pg 51-52	Sustainability Report: Health, Safety and the Environment
EN10	Percentage and total volume of water recycled and reused.	AR: Pg 51-52	Sustainability Report: Health, Safety and the Environment
SOCIAL: LABOR PRACTICES AND DECENT WORK			
LA1	Total workforce by employment type, employment contract, and region.	AR: Pg 52-54	Sustainability Report: Employee Relations
LA2	Total number and rate of employee turnover by age group, gender, and region.	AR: Pg 52-54	Sustainability Report: Employee Relations
LA7	Rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities by region.	AR: Pg 52-54	Sustainability Report: Employee Relations
LA10	Average hours of training per year per employee by employee category.	AR: Pg 52-54	Sustainability Report: Employee Relations
LA12	Percentage of employees receiving regular performance and career development reviews.	AR: Pg 52-54	Sustainability Report: Employee Relations
LA13	Composition of governance bodies and breakdown of employees per category according to gender, age group, minority group membership, and other indicators of diversity.	AR: Pg 52-54	Sustainability Report: Employee Relations

# Corporate Governance Report

The Board of Directors (the “Board”) and Management of Qian Hu Corporation Limited (the “Company”) are firmly committed to ensuring a high standard of corporate governance which is essential to the sustainability of the Company’s business and performance.

This report, set out in a tabular form, describes the Company’s corporate governance processes and structures that were in place throughout the financial year, with specific reference made to the principles and guidelines of the Code of Corporate Governance 2005 (the “Code”) issued on 14 July 2005. The Board has also considered certain corporate practices with reference to the revised Code of Corporate Governance 2012 issued on 2 May 2012 which is effective from financial year commencing on or after 1 November 2012.

The Board is pleased to confirm that for the financial year ended 31 December 2012, the Company has generally adhered to the principles and guidelines as set out in the Code, except for Guideline 3.1 (Chairman and CEO should be separate persons), the reason for which deviation is explained below.

## BOARD MATTERS

### The Board’s Conduct of its Affairs

*Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.*

Guidelines of the Code	Qian Hu Corporate Governance practices
<p>1.1 The Board’s role is to:</p> <ul style="list-style-type: none"> <li>(a) provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the company to meet its objectives;</li> <li>(b) establish a framework of prudent and effective controls which enables risk to be assessed and managed;</li> <li>(c) review management performance; and</li> <li>(d) set the company’s values and standards, and ensure that obligations to shareholders and others are understood and met.</li> </ul>	<p>The primary function of the Board is to protect and enhance long-term value and returns for its shareholders. Besides carrying out its statutory responsibilities, the Board’s role is to:</p> <ul style="list-style-type: none"> <li>• guide the formulation of the Group’s overall long-term strategic plans and performance objectives as well as operational initiatives;</li> <li>• oversee the processes of evaluating the adequacy of internal controls, risk management, financial reporting and compliance;</li> <li>• ensure management discharges business leadership and management skills with the highest level of integrity;</li> <li>• approve major investment and divestment proposals, material acquisitions and disposal of assets, major corporate policies on key areas of operations, annual budget, the release of the Group’s quarterly, half year and full year results and interested person transactions of a material nature; and</li> <li>• assume responsibility for corporate governance.</li> </ul>
<p>1.2 All directors must objectively take decisions in the interests of the company.</p>	<p>All directors exercise due diligence and independent judgment, and are obliged to act in good faith and consider at all times the interest of the Company.</p>
<p>1.3 If authority to make decisions on certain board matters is delegated by the Board to any Board Committee, such delegation should be disclosed.</p>	<p>To assist the Board in the execution of its responsibilities, various Board Committees, namely the Executive Committee, Audit Committee (“AC”), Remuneration Committee (“RC”) and Nominating Committee (“NC”) have been constituted with clearly defined terms of reference. These terms of reference are reviewed on a regular basis to ensure their continued relevance. Minutes of the Board Committee meetings are available to all Board members.</p> <p>All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group.</p> <p>Please refer to Table 1 – Board and Board Committees.</p>

## Corporate Governance Report (cont'd)

Guidelines of the Code	Qian Hu Corporate Governance practices
<p>1.4 The Board should meet regularly and as warranted by particular circumstances, as deemed appropriate by the board members. Companies are encouraged to amend their Articles of Association to provide for telephonic and videoconference meetings. The number of board and board committee meetings held in the year, as well as the attendance of every board member at these meetings, should be disclosed in the company's annual report.</p>	<p>The schedule of all the Board Committee meetings for the calendar year is usually given to all the directors well in advance. Besides the scheduled meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances.</p> <p>The Articles of Association of the Company provide for directors to conduct meetings by teleconferencing or videoconferencing. When a physical meeting is not possible, timely communication with members of the Board can be achieved through electronic means. The Board and Board Committees may also make decisions through circulating resolutions.</p> <p>Please refer to Table 2 – Attendance at Board and Board Committee Meetings.</p>
<p>1.5 Companies should adopt internal guidelines setting forth matters that require board approval, and specify in their corporate governance disclosures the type of material transactions that require board approval under such guidelines.</p>	<p>The Company has adopted a set of Approving Authority &amp; Limit Guidelines ("Guidelines"), setting out the level of authorisation required for specified transactions, including those that require Board approval. Under the Guidelines, new investments or divestments and all commitments to banking facilities granted by financial institutions to the Company require the approval of the Board.</p>
<p>1.6 Every director should receive appropriate training when he is first appointed to the Board. This should include an orientation program to ensure that incoming directors are familiar with the company's business and governance practices.</p> <p>It is equally important that directors should receive further relevant training, particularly on relevant new laws, regulations and changing commercial risks, from time to time.</p>	<p>All new directors undergo comprehensive orientation programme to provide them with extensive background information about the Group's structure and core values, its strategic direction and corporate governance practices as well as industry-specific knowledge. Directors also have the opportunity to visit the Group's operational facilities and meet with the Management to gain a better understanding of the Group's business operations.</p> <p>The Board as a whole is updated regularly on risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards, so as to enable them to properly discharge their duties as Board or Board Committee members.</p> <p>New releases issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") and Accounting and Corporate Regulatory Authority ("ACRA") which are relevant to the directors are circulated to the Board. The Company Secretary informs the directors of upcoming conferences and seminars relevant to their roles as directors of the Company. Annually, the external auditors update the AC and the Board on the new or revised financial reporting standards.</p>
<p>1.7 Upon appointment of each director, companies should provide a formal letter to the director, setting out the director's duties and obligations.</p>	<p>A formal letter is sent to newly-appointed directors upon their appointment explaining, among other matters, their roles, obligations, duties and responsibilities as members of the Board.</p>
<p>1.8 The company is encouraged to provide training for first-time directors in areas such as accounting, legal and industry-specific knowledge.</p>	<p>The Company has an on-going budget for all directors to attend appropriate courses, conferences and seminars for them to stay abreast of relevant business developments and outlook. These include programmes run by the Singapore Institute of Directors or other training institutions.</p>



## Board Composition and Guidance

*Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management. No individual or small group of individuals should be allowed to dominate the Board's decision making.*

Guidelines of the Code	Qian Hu Corporate Governance practices
2.1 There should be a strong and independent element on the Board, with independent directors making up at least one-third of the Board.	<p>The Board comprises seven directors of which three are independent directors.</p> <p>Please refer to Table 1 – Board and Board Committee.</p>
2.2 If the company wishes to consider the director as independent, in spite of the existence of one or more of these relationships as defined in the Code, it should disclose in full the nature of the director's relationship and bear responsibility for explaining why he should be considered independent.	<p>The independence of each director is assessed and reviewed annually by the NC. Each independent director is required to complete a Director's Independence Checklist annually to confirm his independence based on the guidelines as set out in the Code. The directors must also confirm whether they consider themselves independent despite not having any relationship identified in the Code. For FY 2012, the NC has determined that all the three non-executive directors are independent.</p> <p>With three of the directors deemed to be independent, including independence from the substantial shareholders of the Company, the Board is able to exercise independent and objective judgment on corporate affairs. It also ensures that key issues and strategies are critically reviewed, constructively challenged, fully discussed and thoroughly examined, taking into consideration the long-term interests of the Group and its shareholders. No individual or small group of individuals dominates the Board's decision making.</p>
2.3 The Board should, taking into account the scope and nature of the operations of the company, examine the size and determine an appropriate size for the Board, which facilitates effective decision making.	<p>The NC is responsible for examining the size and composition of the Board and Board Committees. Taking into account the nature of the Group's businesses, the Board considers a board size of between 6 to 8 members as appropriate. The Board believes that its current board size and composition effectively serves the Group. It provides sufficient diversity without interfering with efficient decision-making.</p>
2.4 The Board should comprise directors who as a group provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge.	<p>The NC is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies to lead and govern the Group effectively. Each director has been appointed on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its business.</p>
2.5 Non-executive directors should:	<p>The independent directors communicate regularly to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.</p>
(a) constructively challenge and help develop proposals on strategy; and (b) review the performance of management in meeting agreed goals and objectives and monitor the reporting of performance.	

## Corporate Governance Report (cont'd)

Guidelines of the Code	Qian Hu Corporate Governance practices
2.6 Non-executive directors are encouraged to meet regularly without management present in order to facilitate a more effective check on management.	Where necessary, the Company co-ordinates informal meeting sessions for independent directors to meet without the presence of the Management to discuss matters such as Board effectiveness and Management's performance.

### Chairman and Chief Executive Officer

*Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.*

Guidelines of the Code	Qian Hu Corporate Governance practices
3.1 The Chairman and chief executive officer ("CEO") should in principle be separate persons, to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The division of responsibilities between the Chairman and CEO should be clearly established, set out in writing and agreed by the Board. In addition, companies should disclose the relationship between the Chairman and CEO where they are related to each other.	<p>The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure, whereby the CEO and Chairman of the Board is the same person, so as to ensure that the decision-making process of the Group would not be unnecessarily hindered.</p> <p>All major proposals and decisions made by the Executive Chairman and CEO are discussed and reviewed by the AC. His performance and appointment to the Board is reviewed periodically by the NC and his remuneration package is reviewed periodically by the RC. As the AC, NC and RC consist of all independent directors, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.</p>
3.2 The Chairman should: <ul style="list-style-type: none"> <li>(a) lead the Board to ensure its effectiveness on all aspects of its role and set its agenda;</li> <li>(b) ensure that the directors receive accurate, timely and clear information;</li> <li>(c) ensure effective communication with shareholders;</li> <li>(d) encourage constructive relations between the Board and Management;</li> <li>(e) facilitate the effective contribution of non-executive directors in particular;</li> <li>(f) encourage constructive relations between executive directors and non-executive directors; and</li> <li>(g) promote high standards of corporate governance.</li> </ul>	<p>The Group's Executive Chairman and CEO, Mr Kenny Yap Kim Lee, plays an instrumental role in developing the business of the Group and provides the Group with strong leadership and vision. In addition to the day-to-day running of the Group, he is to ensure that each member of the Board and the Management works well together with integrity and competency.</p> <p>As the Executive Chairman and CEO, he, with the assistance of the Company Secretary, schedules Board meetings as and when required and prepares the agenda for Board meetings. In addition, he sets guidelines on and ensures quality, quantity, accurateness and timeliness of information flow between the Board, Management and shareholders of the Company. He encourages constructive relations between the Board and the Management and between the executive directors and the independent directors. He also takes a leading role in ensuring the Company's drive to achieve and maintain a high standard of corporate governance practices.</p>

**Guidelines of the Code**

- 3.3 Companies may appoint an independent non-executive director to be the lead independent director where the Chairman and the CEO is the same person, where the Chairman and the CEO are related by close family ties, or where the Chairman and the CEO are both part of the executive management team. The lead independent director should be available to shareholders where they have concerns which contact through the normal channels of the Chairman, CEO or Finance Director has failed to resolve or for which such contact is inappropriate.

**Qian Hu Corporate Governance practices**

The Board has appointed Mr Tan Tow Ee as the lead independent non-executive director to co-ordinate and to lead the independent directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison on Board issues between the independent directors and the Chairman. He is available to shareholders where they have concerns which contact through the normal channels of the Executive Chairman and CEO or Finance Director has failed to resolve or for which such contact is inappropriate.

**Board Membership**

*Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board.*

**Guidelines of the Code**

- 4.1 Companies should:
- (a) establish a Nominating Committee ("NC") comprising at least three directors, a majority of whom, including the Chairman, should be independent of any substantial shareholders; and
  - (b) disclose the membership in the annual report
- The NC should have written terms of reference that describe the responsibilities of its members.

**Qian Hu Corporate Governance practices**

The Board established the NC in July 2002 which consists of three independent directors. The NC Chairman is not associated in any way with the substantial shareholders of the Company.

The responsibilities of the NC are, among other things, to make recommendations to the Board on all Board appointments and oversee the Company's succession and leadership development plans. (more details are set out in the "Qian Hu's succession planning" section on page 45 of this Annual Report)

Please refer to Table 1 – Board and Board Committee – on the composition of the NC.

- 4.2 The NC should be charged with the responsibility of re-nomination having regard to the director's contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director.

All directors should be required to submit themselves for re-nomination and re-election at regular intervals and at least every three years.

The role of the NC also includes the responsibility of reviewing the re-nomination of directors who retire by rotation, taking into consideration the director's integrity, independence mindedness, contribution and performance (such as attendance, participation, preparedness and candour) and any other factors as may be determined by the NC.

All directors, including the CEO, submit themselves for re-nomination and re-election at regular intervals of at least once every three years. Pursuant to Article 89 of the Company's Articles of Association, one-third of the Board are to retire from office by rotation and be subject to re-election at the Company's Annual General Meeting ("AGM"). In addition, Article 88 of the Company's Article of Association provides that a newly appointed director must retire and submit himself for re-election at the next AGM following his appointment. Thereafter, he is subject to be re-elected at least once every three years.

The Board recognises the contribution of its independent directors who over time have developed deep insight into the Group's businesses and operations and who are therefore able to provide invaluable contributions to the Group. As such, the Board has not set a fixed term of office for each of its independent directors so as to be able to retain the services of the directors as necessary.



## Corporate Governance Report (cont'd)

Guidelines of the Code	Qian Hu Corporate Governance practices
<p>4.3 The NC is charged with the responsibility of determining annually if a director is independent, bearing in mind the circumstances set forth in Guideline 2.1 and any other salient factors. If the NC determines that a director who has one or more of the relationships mentioned therein can be considered independent, the company should make such disclosure as stated in Guideline 2.2.</p>	<p>A director who has no relationship with the Group or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgment in the best interests of the Company, is considered to be independent.</p> <p>The NC conducts an annual review of directors' independence and is of the view that Mr Tan Tow Ee, Mr Chang Weng Leong and Ms Sharon Yeoh Kar Choo are independent and that, no individual or small group of individual dominates the Board's decision-making process.</p>
<p>4.4 The NC should decide if a director who has multiple board representations is able to and has been adequately carrying out his/her duties as a director of the company. Internal guidelines should be adopted that address the competing time commitments that are faced when directors serve on multiple boards.</p>	<p>All directors are required to declare their board representations. The NC has reviewed and is satisfied that Ms Lai Chin Yee, who sits on multiple boards, has been able to devote sufficient time and attention to the affairs of the Company to adequately discharge her duties as director of the Company, notwithstanding her multiple board appointments.</p> <p>None of the directors hold more than four directorships in listed companies concurrently.</p>
<p>4.5 A description of the process for the selection and appointment of new directors to the Board, including the search and nomination process, should be disclosed.</p>	<p>When an existing director chooses to retire or the need for a new director arises, either to replace a retiring director or to enhance the Board's strength, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment as new director. The NC then meets with the shortlisted potential candidates with the appropriate profile before nominating the most suitable candidate to the Board for appointment as director.</p>
<p>4.6 The following information regarding directors, should be disclosed in the annual report of the Company:</p> <ul style="list-style-type: none"> <li>• academic and professional qualifications;</li> <li>• shareholding in the company and its subsidiaries;</li> <li>• board committees served on (as a member or Chairman), date of first appointment and last-election as a director;</li> <li>• directorships or chairmanships both present and those held over the preceding three years in other listed companies and other major appointments;</li> <li>• indicate which directors are executive, non-executive or considered by the NC to be independent; and</li> <li>• the names of the directors submitted for election or re-election should also be accompanied by such details and information to enable shareholders to make informed decisions.</li> </ul>	<p>The profiles of the directors are set out on pages 20 and 21 of this Annual Report.</p> <p>Please refer to Table 3 – Date of Directors' initial appointment &amp; last re-election and their directorships.</p> <p>Except as disclosed in Table 3, there were no other directorships or chairmanships held by the directors over the preceding three years in other listed companies.</p>

## Board Performance

*Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.*

### Guidelines of the Code

### Qian Hu Corporate Governance practices

- 5.1 Every Board should implement a process to be carried out by the NC for assessing the effectiveness of the Board as a whole and for assessing the contribution by each individual director to the effectiveness of the Board. This assessment process should be disclosed in the annual report.

The Board, through the NC, has used its best effort to ensure that directors appointed to the Board, whether individually or collectively, possess the background, experience, knowledge in the business, competencies in finance and management skills critical to the Group's business. It has also ensured that each director, with his special contributions, brings to the Board an independent and objective perspective to enable sound, balanced and well-considered decisions to be made.

The NC has established a review process to assess the performance and effectiveness of the Board as a whole and the contribution by individual directors to the effectiveness of the Board.

During the financial year, all directors are requested to complete a Board Evaluation Questionnaire designed to seek their view on the various aspects of the Board performance so as to assess the overall effectiveness of the Board. The responses are reviewed by the NC before submitting to the Board for discussing and determining areas for improvement and enhancement of the Board effectiveness. Following the review, the Board is of the view that the Board and its Board Committees operate effectively and each director is contributing to the overall effectiveness of the Board.

Individual director's performance is evaluated annually and informally on a continual basis by the NC and the Chairman. The criteria taken into consideration by the NC and the Chairman include the value of contribution to the development of strategy, the degree of preparedness, industry and business knowledge and experience each director possesses which are crucial to the Group's business.

- 5.2 The NC should decide how the Board's performance may be evaluated and propose objective performance criteria. Such performance criteria, which allow for comparison with industry peers, should be approved by the Board and address how the Board has enhanced long term shareholders' value.

Please refer to Guideline 5.1 above.

- 5.3 Performance evaluation should also consider the company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers.

Please refer to Guideline 5.5 below.

## Corporate Governance Report (cont'd)

Guidelines of the Code	Qian Hu Corporate Governance practices
5.4 Individual evaluation should aim to assess whether each director continues to contribute effectively and demonstrate commitment to the role (including commitment of time for board and committee meetings, and any other duties). The Chairman should act on the results of the performance evaluation, and where appropriate, propose new members be appointed to the Board or seek the resignation of directors, in consultation with the NC.	<p>Please refer to Guideline 5.1 above.</p> <p>Replacement of a director, when it happens, does not necessarily reflect the director's performance or contributions to the Board, but may be driven by the need to align the Board with the medium or long term needs of the Group.</p>
5.5 Other performance criteria that may be used include return on assets ("ROA"), return on equity ("ROE"), return on investment ("ROI") and economic value added ("EVA") over a longer-term period.	<p>The Board has taken the view that financial indicators, as set out in the Code as a guide for the evaluation of the Board and its directors, may not be appropriate as these are more of a measurement of Management's performance and therefore less applicable to directors, whose role is seen to be more in formulating, rather than executing, strategies and policies.</p>

### Access to Information

*Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.*

Guidelines of the Code	Qian Hu Corporate Governance practices
6.1 Management has an obligation to supply the Board with complete, adequate information in a timely manner. Relying purely on what is volunteered by management is unlikely to be enough in all circumstances and further enquiries may be required if the particular director is to fulfill his or her duties properly. Hence, the Board should have separate and independent access to the company's senior management.	<p>All directors have unrestricted access to the Company's records and information. From time to time, they are furnished with accurate and detailed information in a timely manner concerning the Group to enable them to be fully cognisant of the decisions and actions of the Group's executive management.</p> <p>As a general rule, detailed Board papers prepared for each meeting are normally circulated five days in advance of each meeting. This is to give directors sufficient time to review and consider the matters to be discussed so that discussion can be more meaningful and productive. However, sensitive matters may be tabled at the meeting itself or discussed without papers being distributed. The Board papers include sufficient background explanatory information from the Management on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at Board and Board Committees meetings. Such explanatory information may also be in the form of briefings to provide additional insights to the directors or formal presentations made by senior management staff in attendance at the meetings, or by external consultants engaged on specific projects.</p> <p>The Board has separate and independent access to the Company Secretary and to other senior management executives of the Group at all times in carrying out their duties.</p>

**Guidelines of the Code****Qian Hu Corporate Governance practices**

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| <p>6.2 Information provided should include background or explanatory information relating to matters to be brought before the Board, copies of disclosure documents, budgets, forecasts and monthly internal financial statements. In respect of budgets, any material variance between the projections and actual results should also be disclosed and explained.</p>  | <p>The Board receives monthly management financial statements, annual budgets and explanation on forecasts variances to enable them to oversee the Group's operational and financial performance. Directors are also informed of any significant developments or events relating to the Group.</p>   |
| <p>6.3 Directors should have separate and independent access to the company secretary. The role of the company secretary should be clearly defined and should include responsibility for ensuring that board procedures are followed and that applicable rules and regulations are complied with.</p> <p>Under the direction of the Chairman, the company secretary's responsibilities include ensuring good information flows within the Board and its committees and between senior management and non-executive directors, as well as facilitating orientation and assisting with professional development as required.</p> <p>The company secretary should attend all board meetings.</p> | <p>The Company Secretary administers and attends all Board and Board Committees meetings of the Company and prepares minutes of meetings. She is responsible for, among other things, ensuring that Board procedures are observed and that applicable rules and regulations are complied with. The Company Secretary also assists the Chairman and the Board in implementing and strengthening corporate governance practices and processes.</p> |
| <p>6.4 The appointment and the removal of the company secretary should be a matter for the Board as a whole.</p>  | <p>The appointment and the removal of the Company Secretary are subject to the Board's approval.</p>   |
| <p>6.5 The Board should have a procedure for directors, either individually or as a group, in the furtherance of their duties, to take independent professional advice, if necessary, at the company's expense.</p>   | <p>Where the directors, whether individually or collectively, require independent professional advice in furtherance of their duties, the Company Secretary will assist in appointing a professional advisor to render the advice and keep the Board informed of such advice. The cost of such professional advice will be borne by the Company.</p>   |

**REMUNERATION MATTERS****Procedures for Developing Remuneration Policies**

*Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.*

**Guidelines of the Code****Qian Hu Corporate Governance practices**

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| <p>7.1 The Board should set up a Remuneration Committee ("RC") comprising entirely of non-executive directors, the majority of whom, including the Chairman, should be independent, to minimize the risk of any potential conflict of interest.</p> | <p>The Board established the RC in July 2002 which consists of three independent directors.</p> <p>Please refer to Table 1 – Board and Board Committee – on the composition of the RC.</p> |
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## Corporate Governance Report (cont'd)

Guidelines of the Code	Qian Hu Corporate Governance practices
<p>7.2 The RC will recommend to the Board a framework of remuneration and the specific remuneration packages for each director and the CEO (or executive of equivalent rank) if the CEO is not a director. The RC's recommendations should be submitted for endorsement by the entire Board.</p> <p>The RC should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, and benefits in kind.</p> <p>The RC will also review the remuneration of senior management.</p>	<p>The RC is responsible for ensuring that a formal and transparent procedure is in place for developing policy on executive remuneration and for determining the remuneration packages of individual directors and senior management. It reviews the remuneration packages with the aim of building capable and committed management teams through competitive compensation and focused management and progression policies. The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, benefits-in-kind and specific remuneration packages for each director.</p> <p>No director is involved in deciding his own remuneration.</p>
<p>7.3 The RC should seek expert advice inside and/or outside the company on remuneration of all directors.</p>	<p>The RC has access to appropriate expert advice in the field of executive compensation outside the Company where required.</p>

### Level and Mix of Remuneration

*Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.*

Guidelines of the Code	Qian Hu Corporate Governance practices
<p>8.1 The performance-related elements of remuneration should be designed to align interests of executive directors with those of shareholders and link rewards to corporate and individual performance. There should be appropriate and meaningful measures for the purpose of assessing executive directors' performance.</p>	<p>The annual reviews of the compensation are carried out by the RC to ensure that the remuneration of the executive directors and senior management commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the CEO (together with other key executives) is reviewed periodically by the RC and the Board.</p>
<p>8.2 The remuneration of non-executive directors should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors and should not be over-compensated to the extent that their independence may be compromised.</p>	<p>The independent directors receive directors' fees in accordance with their level of contributions, taking into account factors such as effort and time spent, as well as the responsibilities and obligations of the directors. The Company recognises the need to pay competitive fees to attract, motivate and retain directors without being excessive and thereby maximise shareholder value.</p> <p>Directors' fees are recommended by the Board for approval at the Company's AGM.</p>
<p>8.3 There should be a fixed appointment period for all executive directors in their service contract which should not be excessively long or with onerous removal clauses.</p>	<p>Executive directors do not receive directors' fees but are remunerated as members of Management. Their remuneration package comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance. Service contracts for executive directors, are for a fixed appointment period and do not contain onerous removal clauses.</p>

**Guidelines of the Code****Qian Hu Corporate Governance practices**

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| <p>8.4 The RC should encourage long-term incentive schemes and review whether directors are eligible as well as to evaluate the costs and benefits of the schemes. Offers of shares or granting of options or other forms of deferred remuneration should vest over a period of time using vesting schedules, whereby only a portion of the benefits can be exercised each year.</p> <p>Directors should be encouraged to hold their shares beyond the vesting period, subject to the need to finance any costs of acquisition and associated tax liability.</p> | <p>The Company has no employee share option scheme or any long-term scheme in place.</p>   |
| <p>8.5 The company should be aware of pay and employment conditions within the industry and in comparable companies when setting remuneration packages.</p>  | <p>In setting remuneration packages, the Company takes into consideration the remuneration and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of the individuals.</p> |
| <p>8.6 Notice periods in service contracts should be set at a period of six months or less.</p>  | <p>All executive directors have in their service contracts notice period of six months or less.</p>  |

**Disclosure on Remuneration**

*Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.*

**Guidelines of the Code****Qian Hu Corporate Governance practices**

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| <p>9.1 The company should report to the shareholders each year on the remuneration of directors and at least the top 5 key executives (who are not also directors) of the company.</p>  | <p>Please refer to Table 4 – Remuneration Table.</p> |
| <p>9.2 The report should set out the names of directors and at least the top 5 key executives (who are not also directors) earning remuneration which falls within bands of S\$250,000. Companies are however encouraged, as best practice, to fully disclose the remuneration of each individual director.</p> | <p>Please refer to Table 4.</p>                      |
| <p>9.3 The annual report should disclose, on a no-name basis with clear indication of which director or the CEO the employee is related to, the remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$150,000 during the year.</p>             | <p>Please refer to Table 4.</p>                      |

## Corporate Governance Report (cont'd)

Guidelines of the Code	Qian Hu Corporate Governance practices
9.4 The annual report should also contain details of employee share schemes to enable their shareholders to assess the benefits and potential cost to the companies.	The Company has no employee share option scheme or any long-term scheme in place.

## ACCOUNTABILITY AND AUDIT

### Accountability

*Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.*

Guidelines of the Code	Qian Hu Corporate Governance practices
10.1 The Board's responsibility to provide a balanced and understandable assessment of the company's performance, position and prospects extends to interim and other price sensitive public reports, and reports to regulators (if required).	<p>In presenting the annual financial statements and quarterly announcements to shareholders, it is the aim of the Board to provide the shareholders with detailed analysis and a balanced and understandable assessment of the company's performance, position and prospects.</p> <p>In line with the SGX Listing Rules, the Board provides a negative assurance statement to the shareholders in respect of the interim financial statements. For the financial year under review, the CEO and the Chief Financial Officer (CFO) have provided assurance to the Board on the integrity of the Group's financial statements.</p>
10.2 Management should provide all members of the Board with management accounts which present a balanced and understandable assessment of the company's performance, position and prospects on a monthly basis.	The Management provides the Board with a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties. On a monthly basis, Board members are provided with up-to-date financial reports and other information on the Group's performance for effective monitoring and decision making.

### Audit Committee

*Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.*

Guidelines of the Code	Qian Hu Corporate Governance practices
11.1 The AC should comprise at least three directors, all non-executive, the majority of whom, including the Chairman, should be independent.	<p>The Board established the AC in October 2000 which consists of three independent directors.</p> <p>Please refer to Table 1 – Board and Board Committee – on the composition of the AC.</p>
11.2 The Board should ensure that the members of the AC are appropriately qualified to discharge their responsibilities. At least two members should have accounting or related financial management expertise or experience, as the Board interprets such qualification in its business judgement.	The members of the AC, collectively, have expertise or experience in financial management and are qualified to discharge the AC's responsibilities.

**Guidelines of the Code****Qian Hu Corporate Governance practices**

11.3 The AC should have explicit authority to investigate any matter within its terms of reference, full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly.	The AC has explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of the Management and full discretion to invite any executive director or executive officer to attend its meetings. The AC has adequate resources, including access to external consultants and auditors, to enable it to discharge its responsibilities properly.
<p>11.4 The duties of the AC should include:</p> <ul style="list-style-type: none"> <li>(a) reviewing the scope and results of the audit and its cost effectiveness, and the independence and objectivity of the external auditors. Where the auditors also supply a substantial volume of non-audit services to the company, the AC should keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;</li> <li>(b) reviewing the significant financial reporting issues and judgments so as to ensure the integrity of the financial statements of the company and any formal announcements relating to the company's financial performance;</li> <li>(c) reviewing the adequacy of the company's internal controls;</li> <li>(d) reviewing the effectiveness of the company's internal audit function; and</li> <li>(e) making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor.</li> </ul>	<p>The AC reviews the scope and results of the audit carried out by the external auditors, the cost effectiveness of the audit and the independence and objectivity of the external auditors. It always seeks to balance the maintenance of objectivity of the external auditors and their ability to provide value-for-money professional services.</p> <p>The AC meets on a quarterly basis to review the quarterly and audited annual financial statements, SGXNET announcements and all related disclosures to shareholders before submission to the Board for approval. In the process, the AC reviews the key areas of management judgment applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have an impact on the financials.</p> <p>The AC evaluates the adequacy and effectiveness of the internal control and regulatory compliance of the Company through discussion with Management and its auditors.</p> <p>The AC discusses with the Management the significant internal audit observations, together with the management's responses and actions to correct any deficiencies. It also reviews the internal audit plans, determines the scope of audit examination and approves the internal audit budget.</p> <p>The AC recommends to the Board the appointment, re-appointment and removal of external auditors, and approves the remuneration and terms of engagement of the external auditors.</p>
11.5 The AC should meet with the external auditors, and with the internal auditors, without the presence of the company's Management, at least annually.	The AC meets with the internal auditor and the external auditors separately, at least once a year, without the presence of the Management to review any matter that might be raised.
11.6 The AC should review the independence of the external auditors annually.	<p>The AC undertook the review of the independence and objectivity of the external auditors through discussions with the external auditors as well as reviewing the non-audit services provided and the fees paid to them. During the current financial year, there was no non-audit related work carried out by the external auditors, hence there was no fee paid in this respect. The AC is satisfied with their independence; hence has recommended the re-appointment of the external auditors at the forthcoming AGM of the Company.</p> <p>The fees payable to auditors is set out on page 121 of this Annual Report.</p>



## Corporate Governance Report (cont'd)

**Guidelines of the Code****Qian Hu Corporate Governance practices**

11.7 The AC should review arrangements by which staff of the company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for the independent investigation of such matters and for appropriate follow up action.

The Company has established a **Code of Conduct and Business Ethics** that sets the principles of the code of conduct and business ethics which applies to all employees of the Group. This code covers areas such as conduct in workplace, business conduct, protection of the Company's assets, confidentiality of information and conflict of interest, etc. Directors, key executives and employees are expected to observe and uphold high standards of integrity which are in compliance with the Company's policies and the law and regulations of the countries in which it operates.

Nonetheless, the Company has put in place a **whistle-blowing** framework, endorsed by the AC, which provides the mechanisms where employees of the Company may, in good faith and in confidence, raise concerns or observations about possible corporate malpractices and improprieties in financial reporting or other matters directly to Mr Chang Weng Leong, Chairman of the RC. Details of the whistle-blowing policies and arrangements have been made available to all employees. It has a well defined process which ensures independent investigation of such matters and appropriate follow-up action, and provides assurance that employees will be protected from reprisal within the limits of the law.

There were no reported incidents pertaining to whistle-blowing for FY 2012.

11.8 The Board should disclose the names of the members of the AC and details of the Committee's activities in the company's annual report.

Please refer to Table 1 – Board and Board Committee – on names of the members of the AC.

The AC meets regularly with the Management and the external auditors to review accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group.

The AC also monitors proposed changes in accounting policies, reviews the internal audit functions and discusses accounting implications of major transactions including significant financial reporting issues.

**Internal Controls**

*Principle 12: The Board should ensure that the Management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.*

**Guidelines of the Code****Qian Hu Corporate Governance practices**

- 12.1 The AC should, with the assistance of internal and/or public accountants, review the adequacy of the company's internal financial controls, operational and compliance controls, and risk management policies and systems established by the management at least annually.

The external and internal auditors conducted annual review of the effectiveness of the Group's key internal controls, including financial, operational and compliance controls, and risk management. Any material non-compliance or lapses in internal controls, together with recommendation for improvement are reported to the AC. A copy of the report is also issued to the relevant department for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

In addition, the AC, together with the Board, reviewed the effectiveness of the Group's system of internal controls put in place to address the key financial, operational and compliance risks affecting the operations.

Based on Group's framework of management controls in place, the internal control policies and procedures established and maintained by the Group, as well as the reviews performed by the external and internal auditors, the Board, with the concurrence of the AC, is of the view that the internal control systems of the Group, addressing the financial, operational and compliance risks are adequate as at 31 December 2012.

- 12.2 The Board should comment on the adequacy of the internal controls, including financial, operational and compliance controls, and risk management systems in the company's annual report.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

Risk assessment and evaluation takes place as an integral part of the annual strategic planning cycle. Having identified the risks to the achievement of their strategic objectives, each business is required to document the mitigating actions in place and/or proposed in respect of each significant risk. Risk awareness and ownership of risk treatments are also continuously fostered across the organisation. The approach to risk management and internal controls are set out in the "Operating and Financial Review" section on pages 40 and 41 of this Annual Report.

**Internal Audit**

*Principle 13: The company should establish an internal audit function that is independent of the activities it audits.*

**Guidelines of the Code****Qian Hu Corporate Governance practices**

- 13.1 The Internal Auditor's ("IA") primary line of reporting should be to the Chairman of the AC although the Internal Auditor would also report administratively to the CEO.

The Company's internal audit function is serviced in-house. The internal auditor's functional reporting line is to the Chairman of the AC. Administratively, the internal auditor reports to the CEO.

## Corporate Governance Report (cont'd)

Guidelines of the Code	Qian Hu Corporate Governance practices
13.2 The IA should meet or exceed the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.	The internal auditor is a Certified Internal Auditor and the audit work is carried out in accordance with the International Standards for the Professional Practice of Internal Auditing pronounced by The Institute of Internal Auditors.
13.3 The AC should ensure that the internal audit function is adequately resourced and has appropriate standing within the company. For the avoidance of doubt, the internal audit function can either be in-house, outsourced to a reputable accounting/auditing firm, or performed by a major shareholder, holding company, parent company or controlling enterprise with an internal audit staff.	The Board recognises that it is responsible for maintaining a system of internal control to safeguard shareholders' investments and the Group's businesses and assets, while the Management is responsible for establishing and implementing the internal control procedures in a timely and appropriate manner. The role of the internal auditor is to assist the AC in ensuring that the controls are effective and functioning as intended, to undertake investigations as directed by the AC and to conduct regular in-depth audits of high risk areas.
13.4 The AC should, at least annually, ensure the adequacy of the internal audit function.	<p>The internal audit function plans its internal audit schedules in consultation with, but independent of the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. In addition, the internal auditor may be involved in ad-hoc projects initiated by the Management which require the assurance of the internal auditor in specific areas of concerns.</p> <p>The AC reviews the activities of the internal auditors on a regular basis, including overseeing and monitoring of the implementation of the improvements required on internal control weaknesses identified.</p>

## COMMUNICATION WITH SHAREHOLDERS

### Communication with Shareholders

*Principle 14: Companies should engage in regular, effective and fair communication with shareholders.*

Guidelines of the Code	Qian Hu Corporate Governance practices
14.1 Companies should regularly convey pertinent information, gather views or inputs, and address shareholders' concerns. In disclosing information, companies should be as descriptive, detailed and forthcoming as possible, and avoid boilerplate disclosures.	<p>The Company has adopted quarterly results reporting since 2001.</p> <p>In line with the continuous disclosure obligations of the Company pursuant to the Singapore Exchange Listing Rules and the Singapore Companies Act, the Board's policy is that all shareholders should be informed simultaneously in an accurate and comprehensive manner all material developments that impact the Group through SGXNET and press releases on an immediate basis.</p>

**Guidelines of the Code**

- 14.2 Companies should disclose information on a timely basis. Where there is inadvertent disclosure made to a selected group, companies should make the same disclosure publicly to all others as soon as practicable. This could be through the use of modern technology such as Internet websites.

**Qian Hu Corporate Governance practices**

All material information on the performance and development of the Group and of the Company is disclosed in a timely, fair and transparent manner. Shareholders are provided with quarterly and annual financial reports within 18 days of the quarter end and within 12 days of the financial year end respectively.

The Company notifies the investors' public in advance of the date of release of its financial results through a SGXNET announcement. Joint briefings for media and analysts are held in conjunction with the release of the Company's half-year and full year results, with the presence of the CEO, Finance Director (CFO) and the executive directors to answer the relevant questions which the media and analysts may have.

The Company does not practice selective disclosure of material information. All materials on the quarterly, half-yearly and full year financial results and the audio casts of the half-yearly and full year results briefing for media and analysts are available on the Company's website – [www.qianhu.com](http://www.qianhu.com). The website also contains various others investor-related information on the Company which serves as an important resource for investors.

**Greater Shareholder Participation**

*Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.*

**Guidelines of the Code**

- 15.1 Shareholders should have the opportunity to participate effectively and to vote in AGMs. They should be allowed to vote in person or in absentia. Companies are encouraged to make the appropriate provisions in their Articles of Association to allow for absentia voting methods such as by mail, email, fax, etc, if the shareholders so consent.

**Qian Hu Corporate Governance practices**

Shareholders are informed of shareholders' meetings through notices contained in annual reports or circulars sent to all shareholders. These notices are also published in the Business Times and posted onto the SGXNET.

If shareholders are unable to attend the meetings, the Articles of Association allow a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised and is also subject to legislative amendment to recognise electronic voting.

To have greater transparency in the voting process, with effect from 2010 AGM, the Company conducts the voting of all its resolutions by poll at all its AGM and EGMs. The detailed voting results of each of the resolutions tabled are announced immediately at the meeting. The total numbers of votes cast for or against the resolutions are also announced after the meeting via SGXNET.

The Board has also lowered its share issue mandate by reducing the limit for non-pro rata shares issues from 20% of the total number of issued shares in the capital of the Company to 15% of the total number of issued shares in the capital of the Company so as to protect shareholders against dilution.



## Corporate Governance Report (cont'd)

Guidelines of the Code	Qian Hu Corporate Governance practices
15.2 There should be separate resolutions at general meetings on each substantially separate issue. Companies should avoid “bundling” resolutions unless the resolutions are interdependent and linked so as to form one significant proposal. Where resolutions are “bundled”, companies should explain the reasons and material implications.	Resolutions at general meetings are on each substantially separate issue. All the resolutions at the general meetings are single item resolutions.
15.3 The chairpersons of the Audit, Nomination and Remuneration committees should be present and available to address questions at general meetings.  The external auditors should also be present to address shareholders’ queries about the conduct of audit and the preparation and content of the auditors’ report.	The Chairmen of the Executive, Audit, Remuneration and Nominating Committees are in attendance at the Company’s AGM to address shareholders’ questions relating to the work of these Committees.  The Company’s external auditors, KPMG LLP, are also invited to attend the AGM and are available to assist the directors in addressing any relevant queries by the shareholders relating to the conduct of the audit and the preparation and content of the auditors’ report.
15.4 Companies are encouraged to amend their Articles of Association to avoid imposing a limit on the number of proxies for nominee companies so that shareholders who hold shares through nominees can attend AGMs as proxies.	Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Articles of Association of the Company allow each shareholder to appoint up to two proxies to attend AGMs.
15.5 Companies are encouraged to prepare minutes or notes of general meetings, which include substantial comments or queries from shareholders and responses from the Board and management, and to make these minutes or notes available to shareholders upon their requests.	The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues pertaining to the proposed resolutions and/or ask the directors or the Management questions regarding the Company and its operations.  Since FY 2003, the Board has developed several channels, which include the Group’s website, email or fax, for shareholders who are not able to attend the AGM to contribute their feedback and inputs. Detailed AGM minutes, which include comments and the questions received, together with the responses to them from the Board and the Management, are publicly available on both the SGX website ( <a href="http://www.sgx.com">www.sgx.com</a> ) and the Company’s website after the meeting.

### DEALING IN SECURITIES

The Group has in place an internal code of conduct which prohibits the directors, key executives of the Group and their connected persons from dealing in the Company’s shares during the “black-out” period – being two weeks and one month immediately preceding the announcement of the Company’s quarterly and full-year results respectively, or if they are in possession of unpublished price-sensitive information of the Group. In addition, directors, key executives and connected persons are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period. They are also discouraged from dealing in the Company’s shares on short-term considerations.

All directors are required to seek Board’s approval before trading in the Company’s shares.

### MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiaries involving the interests of any director or controlling shareholder during the year under review.

## INTERESTED PERSON TRANSACTIONS

As a listed company on the Singapore Exchange, the Company is required to comply with Chapter 9 of the Singapore Exchange Listing Manual on interested person transactions. To ensure compliance with Chapter 9, the AC, as well as the Board, meets quarterly to review if the Company will be entering into any interested person transaction. If the Company is intending to enter into an interested person transaction, the AC and the Board will ensure that the transaction are carried out based on normal commercial terms and will not be prejudicial to the interest of the Company and its non-controlling shareholders .

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of SGX-ST. Disclosure of interested person transactions is set out on page 126 of this Annual Report. There were no interested person transactions entered into by the Group in excess of \$100,000 during the year under review.

When a potential conflict of interest arises, the director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

**TABLE 1 – BOARD AND BOARD COMMITTEES**

Name of Director	Board Membership	Executive Committee	Audit Committee	Nominating Committee	Remuneration Committee
Kenny Yap Kim Lee	Executive / Non-independent	Chairman	-	-	-
Alvin Yap Ah Seng	Executive / Non-independent	Member	-	-	-
Andy Yap Ah Siong	Executive / Non-independent	Member	-	-	-
Lai Chin Yee	Executive / Non-independent	Member	-	-	-
Tan Tow Ee	Non-executive / Independent	-	Chairman	Member	Member
Chang Weng Leong	Non-executive / Independent	-	Member	Member	Chairman
Sharon Yeoh Kar Choo	Non-executive / Independent	-	Member	Chairman	Member

**TABLE 2 – ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS**

Name of Director	Board	Executive Committee	Audit Committee	Nominating Committee	Remuneration Committee
Number of meetings held	4	12	4	1	2
Number of meetings attended:					
Kenny Yap Kim Lee	4	12	4*	1*	1*
Alvin Yap Ah Seng	4	12	4*	1*	1*
Andy Yap Ah Siong	4	12	4*	1*	1*
Lai Chin Yee	4	12	4*	1*	1*
Tan Tow Ee	4	-	4	1	2
Chang Weng Leong	4	-	4	1	2
Sharon Yeoh Kar Choo	4	-	4	1	2

\* Attendance by invitation of the Committee

## Corporate Governance Report (cont'd)

**TABLE 3 – DATE OF DIRECTOR'S INITIAL APPOINTMENT & LAST RE-ELECTION & THEIR DIRECTORSHIPS**

Name of Director	Age	Date of initial appointment	Date of last re-election	Present directorships in listed companies	Past directorships in listed companies
Kenny Yap Kim Lee	47	12 December 1998	11 March 2011	Qian Hu Corporation Limited	-
Alvin Yap Ah Seng	47	12 December 1998	15 March 2012	Qian Hu Corporation Limited	-
Andy Yap Ah Siong	46	12 December 1998	15 March 2012	Qian Hu Corporation Limited	-
Lai Chin Yee	47	1 November 2004	16 March 2010	Qian Hu Corporation Limited China Sports International Limited Ryobi Kiso Holdings Ltd CCM Group Limited	-
Tan Tow Ee	50	1 May 2002	11 March 2011	Qian Hu Corporation Limited	-
Chang Weng Leong	50	18 October 2000	16 March 2010	Qian Hu Corporation Limited	-
Sharon Yeoh Kar Choo	54	17 September 2011	15 March 2012	Qian Hu Corporation Limited	-

According to Article 89 of the Company's Articles of Association, Mr Kenny Yap Kim Lee, Ms Lai Chin Yee and Mr Chang Weng Leong will retire at the Company's forthcoming AGM and be eligible for re-election.

The shareholdings of the individual directors of the Company are set out on page 79 of this Annual Report. None of the directors hold shares in the subsidiaries of the Company.

**TABLE 4 – REMUNERATION TABLE****Remuneration of directors**

The breakdown of the total remuneration of the Directors of the Company for the year ended 31 December 2012 is set out below:

Name of Director	Salary \$	Bonus \$	Director's fees \$	Total remuneration \$
Kenny Yap Kim Lee	303,600	-	-	303,600
Alvin Yap Ah Seng	273,600	-	-	273,600
Andy Yap Ah Siong	273,600	-	-	273,600
Lai Chin Yee	261,600	24,360	-	285,960
Tan Tow Ee	-	-	30,000	30,000
Chang Weng Leong	-	-	25,000	25,000
Sharon Yeoh Kar Choo	-	-	25,000	25,000
	1,112,400	24,360	80,000	1,216,760

- The salary and bonus amounts shown are inclusive of Central Provident Fund contributions.
- The Company has no employee share option scheme in place.
- The director's fees are subject to shareholders' approval at the Annual General Meeting.

**TABLE 4 – REMUNERATION TABLE** (cont'd)**Remuneration of key executives**

The breakdown of total remuneration of the top 5 key executives of the Group (who are not directors) for the year ended 31 December 2012 is set out below:

Name of Executive	Salary \$	Bonus \$	Allowances & benefits \$	Total remuneration \$
Jimmy Tan Boon Kim	219,600	27,840	-	247,440
Yap Kim Choon*	187,600	-	-	187,600
Lee Kim Hwat	167,748	13,260	-	181,008
Alex Chang Kuok Weai	153,600	13,920	-	167,520
Low Eng Hua	141,600	12,760	-	154,360
	870,148	67,780	-	937,928

\* Mr Yap Kim Choon is the brother of Mr Kenny Yap Kim Lee, the Executive Chairman & CEO and cousin of Mr Alvin Yap Ah Seng and Mr Andy Yap Ah Siong, the executive directors.

- The salary and bonus amounts shown are inclusive of Central Provident Fund contributions.
- The Company has no employee share option scheme in place.

**Remuneration of immediate family members of CEO and executive directors**  
**(remuneration amounts exceed \$50,000 per annum)**

The breakdown of total remuneration of employees who are immediate family members of the CEO and the executive directors for the year ended 31 December 2012 is set out below:

Name of Executive	Salary \$	Bonus \$	Allowances & benefits \$	Total remuneration \$
Yap Ping Heng	101,700	-	-	101,700
Yap Hock Huat	101,700	-	-	101,700
Yap Kim Chuan	104,000	-	-	104,000
	307,400	-	-	307,400

Mr Yap Ping Heng, Mr Yap Hock Huat and Mr Yap Kim Chuan are brothers of Kenny Yap Kim Lee, the Executive Chairman & CEO and cousins of Mr Alvin Yap Ah Seng and Mr Andy Yap Ah Siong, the executive directors.

- The salary amounts shown are inclusive of Central Provident Fund contributions.



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# Directors' Report

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2012.

## Directors

The directors in office at the date of this report are as follows:

Kenny Yap Kim Lee  
 Alvin Yap Ah Seng  
 Andy Yap Ah Siong  
 Lai Chin Yee  
 Tan Tow Ee  
 Chang Weng Leong  
 Sharon Yeoh Kar Choo

## Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Holdings in the name of the director			Holdings in which the director is deemed to have an interest		
	1/1/2012	31/12/2012	11/1/2013	1/1/2012	31/12/2012	11/1/2013
<b>The Company</b>						
Ordinary shares						
Kenny Yap Kim Lee	14,000,000	14,000,000	14,000,000	–	–	–
Alvin Yap Ah Seng	15,804,552	15,804,552	15,804,552	–	–	–
Andy Yap Ah Siong	15,700,000	15,700,000	15,700,000	–	–	–
Lai Chin Yee	321,400	321,400	321,400	–	–	–
Chang Weng Leong	138,600	138,600	138,600	–	–	–
Tan Tow Ee	200,000	200,000	200,000	–	–	–

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options of the Company, or of related corporations, either at the beginning of the financial year, or at the end of the financial year.

## Directors' Report (cont'd)

The Singapore Exchange Listing Manual requires a company to provide a statement as at the 21st day after the end of the financial year, showing the direct and deemed interests of each director of the Company in the share capital of the Company. As the Directors' Report of the Company is dated 11 January 2013, the Company is unable to comply with the 21 days' requirement. However, for the purpose of best practice, the Company has disclosed the direct and deemed interests of each director of the Company at the last business trading day before the date of the Directors' Report.

Neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 20 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive, a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

As at the end of the financial year, no options or warrants to take up unissued shares of the Company or its subsidiaries were granted and no shares were issued by virtue of the exercise of options or warrants to take up unissued shares of the Company or its subsidiaries.

No warrants or options to take up unissued shares of the Company or its subsidiaries were outstanding as at the end of the financial year.

### Audit committee

At the date of this report, the Audit Committee comprises the following members, all of whom are non-executive and independent:

- Tan Tow Ee (Chairman of the Audit Committee)
- Chang Weng Leong
- Sharon Yeoh Kar Choo

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

The Audit Committee has held four meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

**Auditors**

The auditors, KPMG LLP, have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

**Kenny Yap Kim Lee**

Director

11 January 2013

**Alvin Yap Ah Seng**

Director



# Statement by Directors

In our opinion:

- (a) the financial statements set out on pages 84 to 136 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results and changes in equity of the Group and the Company, and of the cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

**Kenny Yap Kim Lee**  
Director

**Alvin Yap Ah Seng**  
Director

11 January 2013

# Independent Auditors' Report

**Members of the Company**  
**Qian Hu Corporation Limited**

## **Report on the financial statements**

We have audited the accompanying financial statements of Qian Hu Corporation Limited (the Company) and its subsidiaries (the Group), which comprise the statements of financial position of the Group and the Company as at 31 December 2012, the income statements and statements of comprehensive income and statements of changes in equity of the Group and the Company, and the statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 84 to 136.

### *Management's responsibility for the financial statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

### *Auditors' responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements of the Group and the statement of financial position, income statement, statement of comprehensive income and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2012 and the results and changes in equity of the Group and of the Company and cash flows of the Group for the year ended on that date.

## **Report on other legal and regulatory requirements**

In our opinion, the accounting and other records required by the Act to be kept by the Company and by the subsidiary incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

**KPMG LLP**  
 Public Accountants and  
 Certified Public Accountants

Singapore  
 11 January 2013

# Statements of Financial Position

As at 31 December 2012

		Group		Company	
	Note	2012 \$	2011 \$	2012 \$	2011 \$
<b>Non-current assets</b>					
Property, plant and equipment	3	7,122,631	13,046,754	5,294,588	5,604,163
Biological assets	4	8,934,081	28,918,645	8,934,081	2,981,922
Intangible assets	5	343,048	2,257,804	343,048	343,048
Subsidiaries	6	–	–	2,063,156	10,601,547
Associates	7	708,143	1,006,594	815,200	1,215,200
Other receivables	8	3,720,000	–	3,720,000	–
		20,827,903	45,229,797	21,170,073	20,745,880
<b>Current assets</b>					
Biological assets	4	197,722	992,534	197,722	400,390
Inventories	9	16,222,031	19,585,776	6,928,953	6,884,221
Trade and other receivables	8	32,422,431	31,530,983	32,672,085	35,237,335
Cash and cash equivalents	10	8,272,353	8,605,551	4,975,280	4,073,417
		57,114,537	60,714,844	44,774,040	46,595,363
<b>Total assets</b>		77,942,440	105,944,641	65,944,113	67,341,243
<b>Equity attributable to equity holders of the Company</b>					
Share capital	11	30,772,788	30,772,788	30,772,788	30,772,788
Reserves	12	21,756,608	32,660,659	14,478,844	16,355,718
		52,529,396	63,433,447	45,251,632	47,128,506
<b>Non-controlling interests</b>		1,590,439	10,190,157	–	–
<b>Total equity</b>		54,119,835	73,623,604	45,251,632	47,128,506
<b>Non-current liabilities</b>					
Financial liabilities	13	253,608	297,712	106,808	135,232
Deferred tax liabilities	14	410,000	4,200,213	380,000	556,595
		663,608	4,497,925	486,808	691,827
<b>Current liabilities</b>					
Trade and other payables	15	9,599,728	11,587,831	7,081,392	7,939,117
Financial liabilities	13	13,041,439	15,680,534	12,952,303	11,312,993
Current tax payable		517,830	554,747	171,978	268,800
		23,158,997	27,823,112	20,205,673	19,520,910
<b>Total liabilities</b>		23,822,605	32,321,037	20,692,481	20,212,737
<b>Total equity and liabilities</b>		77,942,440	105,944,641	65,944,113	67,341,243

The accompanying notes form an integral part of these financial statements.

# Income Statements

Year ended 31 December 2012

		Group		Company	
	Note	2012 \$	2011 \$	2012 \$	2011 \$
Revenue	16	84,443,056	88,341,351	49,442,041	48,349,468
Cost of sales		(59,061,516)	(61,041,733)	(36,896,256)	(34,379,140)
<b>Gross profit</b>		25,381,540	27,299,618	12,545,785	13,970,328
Other (expenses) income		(9,081,238)	1,165,518	1,908,680	(374,160)
Selling and distribution expenses		(1,742,368)	(1,611,018)	(750,196)	(620,391)
General and administrative expenses		(22,799,355)	(22,209,638)	(12,755,242)	(11,343,146)
<b>Results from operating activities</b>		(8,241,421)	4,644,480	949,027	1,632,631
Finance income		22,722	13,419	1,592	946
Finance expenses		(388,040)	(410,157)	(210,971)	(175,222)
<b>Net finance expenses</b>	17	(365,318)	(396,738)	(209,379)	(174,276)
Share of losses of associates, net of tax		(76,672)	(96,645)	—	—
<b>(Loss) Profit before tax</b>	18	(8,683,411)	4,151,097	739,648	1,458,355
Tax (expense) credit	19	(476,608)	(550,116)	108,116	(49,746)
<b>(Loss) Profit for the year</b>		(9,160,019)	3,600,981	847,764	1,408,609
<b>(Loss) Profit attributable to:</b>					
Equity holders of the Company		(9,136,582)	3,465,630	847,764	1,408,609
Non-controlling interests		(23,437)	135,351	—	—
<b>(Loss) Profit for the year</b>		(9,160,019)	3,600,981	847,764	1,408,609
<b>(Loss) Earnings per share (cents)</b>	21				
Basic		(2.01)	0.76		
Diluted		(2.01)	0.76		

The accompanying notes form an integral part of these financial statements.



# Statements of Comprehensive Income

Year ended 31 December 2012

	Group		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
<b>(Loss) Profit for the year</b>	(9,160,019)	3,600,981	847,764	1,408,609
<b>Other comprehensive income</b>				
Translation differences relating to financial statements of foreign subsidiaries, net of tax	(402,278)	(536,881)	–	–
<b>Other comprehensive income for the year, net of tax</b>	(402,278)	(536,881)	–	–
<b>Total comprehensive income for the year</b>	(9,562,297)	3,064,100	847,764	1,408,609
<b>(Loss) Profit attributable to:</b>				
Equity holders of the Company	(9,445,437)	2,980,658	847,764	1,408,609
Non-controlling interests	(116,860)	83,442	–	–
<b>Total comprehensive income for the year</b>	(9,562,297)	3,064,100	847,764	1,408,609

The accompanying notes form an integral part of these financial statements.

# Statements of Changes in Equity

Year ended 31 December 2012

Group	Note	Share capital \$	Currency translation reserve \$	Accumulated profits \$	Total attributable to equity holders of the Company \$	Non-controlling interests \$	Total equity \$
<b>At 1 January 2011</b>		30,772,788	(1,059,241)	33,009,774	62,723,321	10,306,875	73,030,196
<b>Total comprehensive income for the year</b>							
Profit for the year		–	–	3,465,630	3,465,630	135,351	3,600,981
<b>Other comprehensive income</b>							
Translation differences relating to financial statements of foreign subsidiaries, net of tax		–	(484,972)	–	(484,972)	(51,909)	(536,881)
<b>Total other comprehensive income</b>		–	(484,972)	–	(484,972)	(51,909)	(536,881)
<b>Total comprehensive income for the year</b>		–	(484,972)	3,465,630	2,980,658	83,442	3,064,100
<b>Transactions with owners, recognised directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Dividends to equity holders	22	–	–	(2,270,532)	(2,270,532)	–	(2,270,532)
Dividends to non-controlling shareholder of a subsidiary		–	–	–	–	(200,160)	(200,160)
<b>Total transactions with owners</b>		–	–	(2,270,532)	(2,270,532)	(200,160)	(2,470,692)
<b>At 31 December 2011</b>		30,772,788	(1,544,213)	34,204,872	63,433,447	10,190,157	73,623,604

The accompanying notes form an integral part of these financial statements.

## Statements of Changes in Equity (cont'd)

	Note	Share capital \$	Currency translation reserve \$	Accumulated profits \$	Total attributable to equity holders of the Company \$	Non-controlling interests \$	Total equity \$
<b>Group</b>							
<b>At 1 January 2012</b>		30,772,788	(1,544,213)	34,204,872	63,433,447	10,190,157	73,623,604
<b>Total comprehensive income for the year</b>							
Loss for the year		–	–	(9,136,582)	(9,136,582)	(23,437)	(9,160,019)
<b>Other comprehensive income</b>							
Translation differences relating to financial statements of foreign subsidiaries, net of tax		–	(308,855)	–	(308,855)	(93,423)	(402,278)
<b>Total other comprehensive income</b>		–	(308,855)	–	(308,855)	(93,423)	(402,278)
<b>Total comprehensive income for the year</b>		–	(308,855)	(9,136,582)	(9,445,437)	(116,860)	(9,562,297)
<b>Transactions with owners, recognised directly in equity</b>							
<b>Contributions by and distributions to owners</b>							
Dividends to equity holders	22	–	–	(2,724,638)	(2,724,638)	–	(2,724,638)
Dividends to non-controlling shareholder of a subsidiary		–	–	–	–	(254,720)	(254,720)
<b>Changes in ownership interests in subsidiary</b>							
Disposal of subsidiary		–	1,266,024	–	1,266,024	(8,228,138)	(6,962,114)
<b>Total transactions with owners</b>		–	1,266,024	(2,724,638)	(1,458,614)	(8,482,858)	(9,941,472)
<b>At 31 December 2012</b>		30,772,788	(587,044)	22,343,652	52,529,396	1,590,439	54,119,835

The accompanying notes form an integral part of these financial statements.

	Note	Share capital \$	Accumulated profits \$	Total equity \$
<b>Company</b>				
<b>At 1 January 2011</b>		30,772,788	17,217,641	47,990,429
<b>Total comprehensive income for the year</b>				
Profit for the year		–	1,408,609	1,408,609
<b>Total comprehensive income for the year</b>		–	1,408,609	1,408,609
<b>Transactions with owners, recognised directly in equity</b>				
<b><i>Contributions by and distributions to owners</i></b>				
Dividends to equity holders	22	–	(2,270,532)	(2,270,532)
<b>Total transactions with owners</b>		–	(2,270,532)	(2,270,532)
<b>At 31 December 2011</b>		30,772,788	16,355,718	47,128,506
<b>Total comprehensive income for the year</b>				
Profit for the year		–	847,764	847,764
<b>Total comprehensive income for the year</b>		–	847,764	847,764
<b>Transactions with owners, recognised directly in equity</b>				
<b><i>Contributions by and distributions to owners</i></b>				
Dividends to equity holders	22	–	(2,724,638)	(2,724,638)
<b>Total transactions with owners</b>		–	(2,724,638)	(2,724,638)
<b>At 31 December 2012</b>		30,772,788	14,478,844	45,251,632

The accompanying notes form an integral part of these financial statements.



# Statements of Cash Flows

Year ended 31 December 2012

Group	Note	2012 \$	2011 \$
<b>Cash flows from operating activities</b>			
(Loss) Profit before tax		(8,683,411)	4,151,097
Adjustments for:			
Allowances for:			
- doubtful trade receivables		475,179	428,890
- inventory obsolescence		—	115,000
Bad trade receivables:			
- written off		33,346	4,579
- recovered		—	(5,225)
Depreciation of:			
- property, plant and equipment		2,218,222	2,180,004
- biological assets		523,505	647,402
Property, plant and equipment written off		11,852	7,148
(Gain) Loss on disposal of:			
- property, plant and equipment		(66,008)	(62,592)
- a subsidiary		9,061,610	(952,172)
Impairment loss on investment in an associate		221,779	—
Change in fair value less estimated point-of-sale costs of breeder stocks		83,040	107,597
Share of losses of associates		76,672	96,645
Interest income		(22,722)	(13,419)
Interest expense		388,040	410,157
		<u>4,321,104</u>	<u>7,115,111</u>
Changes in working capital:			
Inventories		885,261	(2,415,313)
Breeder stocks		119,628	183,264
Trade and other receivables		(678,277)	(1,794,465)
Trade and other payables		(151,617)	(919,484)
Cash generated from operations		<u>4,496,099</u>	<u>2,169,113</u>
Tax paid		(911,666)	(516,145)
<b>Net cash from operating activities</b>		<u>3,584,433</u>	<u>1,652,968</u>
<b>Cash flows from investing activities</b>			
Purchase of:			
- property, plant and equipment		(1,497,461)	(1,632,687)
- biological assets		—	(338,966)
Proceeds from disposal of property, plant and equipment		111,033	382,980
Interest received		22,722	13,419
Disposal of subsidiaries, net of cash and cash equivalents	23	(187,542)	(95,937)
<b>Net cash used in investing activities</b>		<u>(1,551,248)</u>	<u>(1,671,191)</u>

The accompanying notes form an integral part of these financial statements.

Group	Note	2012 \$	2011 \$
<b>Cash flows from financing activities</b>			
Interest paid		(387,160)	(409,884)
Drawdown of bank term loans		1,500,000	200,000
Repayment of bank term loans		(291,533)	(371,760)
Payment of finance lease liabilities		(189,809)	(185,027)
Dividends paid to:		(2,724,638)	(2,270,532)
- equity holders			
- non-controlling shareholder of a subsidiary		(254,720)	(200,160)
Capital contribution from non-controlling shareholders		–	225,000
Advances from non-controlling shareholders of a subsidiary		169,484	–
<b>Net cash used in financing activities</b>		<u>(2,178,376)</u>	<u>(3,012,363)</u>
<b>Net decrease in cash and cash equivalents</b>		(145,191)	(3,030,586)
Cash and cash equivalents at beginning of year		8,605,551	11,690,547
Effect of exchange rate fluctuations on cash held		(188,007)	(54,410)
<b>Cash and cash equivalents at end of year</b>	10	<u>8,272,353</u>	<u>8,605,551</u>

#### *Significant non-cash transaction*

During the current financial year, the Group disposed of its entire equity interest in Kim Kang Aquaculture Sdn. Bhd. for a consideration of \$9,400,000 where \$5,500,000 was satisfied in the form of brooder stocks. See note 23 to the financial statements for further details.

*The accompanying notes form an integral part of these financial statements.*

# Notes to the Financial Statements

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 11 January 2013.

## 1 Domicile and activities

Qian Hu Corporation Limited (the Company) is incorporated in the Republic of Singapore. The address of the Company's registered office is 71 Jalan Lekar, Singapore 698950.

The principal activities of the Company are those relating to import, export, farming, breeding and distribution of ornamental fishes and aquarium and pet accessories. The principal activities of the subsidiaries are set out in note 6 to the financial statements.

The consolidated financial statements relate to the Company and its subsidiaries (together referred to as the Group) and the Group's interest in associates.

## 2 Summary of significant accounting policies

### 2.1 Basis of preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

The financial statements have been prepared on the historical cost basis except for the following:

- Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs. Subsequent to initial recognition, non-derivative financial instruments are measured at amortised cost.
- Biological assets are measured at fair value less estimated point-of-sale costs.

The financial statements are presented in Singapore dollars which is the Company's functional currency.

The preparation of financial statements in conformity with FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 4 – estimated useful lives of brooder stocks
- Note 5 – key assumptions used in discounted cash flow projections
- Note 7 – impairment assessment of investment in associates
- Note 8 – recoverability of trade receivables

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

## 2.2 Consolidation

### ***Business combinations***

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is recognised at fair value at the acquisition date. If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on a transaction-by-transaction basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

When share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

### ***Subsidiaries***

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

### ***Associates***

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity. Associates are accounted for using the equity method. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income, after adjustments to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the investee.

### ***Acquisitions of non-controlling interests***

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. Any difference between the adjustment to non-controlling interests and the fair value of consideration paid is recognised directly in equity and presented as part of equity attributable to owners of the Company.



## Notes to the Financial Statements (cont'd)

### 2.2 Consolidation (cont'd)

#### **Transactions eliminated on consolidation**

Intra-group balances and transactions, and any unrealised income or expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Unrealised gains arising from transactions with the associate are eliminated against the investment to the extent of the Group's interest in the associate. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

#### **Accounting for subsidiaries and associates by the Company**

Investments in subsidiaries and the associates are stated in the Company's statement of financial position at cost less accumulated impairment losses.

### 2.3 Foreign currencies

#### **Foreign currency transactions**

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rate at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation (see below).

#### **Foreign operations**

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates prevailing at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the closing rate. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the foreign currency translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

### 2.4 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the cost of dismantling and removing the items, restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

## 2.4 Property, plant and equipment (cont'd)

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Freehold land and assets under construction are not depreciated. Depreciation on other property, plant and equipment is recognised in profit or loss on a straight-line basis over the estimated useful lives (or lease term, if shorter) of each part of an item of property, plant and equipment.

The estimated useful lives for the current and comparative years are as follows:

Freehold buildings	20 years
Leasehold land	over the remaining lease terms
Leasehold buildings	over the remaining lease terms
Leasehold improvements	over the remaining lease terms
Motor vehicles	5 - 10 years
Computers	3 years
Furniture, fittings and office equipment	5 - 10 years
Equipment and tools	8 - 10 years
Machinery and equipment	5 - 10 years
Electrical and installation	8 -10 years

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

## 2.5 Biological assets

The Group is engaged in the breeding of dragon fish for commercial sale and accounts for its brooder and breeder stocks as follows:

### **Brooder stocks**

Brooder stocks are parent stocks of dragon fish, held for the breeding of dragon fish. As the fair value of brooder stocks cannot be reliably measured, the brooder stocks have been stated at cost less accumulated depreciation and impairment losses. The brooder stocks are depreciated on a straight line basis over their estimated useful lives of 50 years.

### **Breeder stocks**

Breeder stocks are the offsprings of brooder stocks, held for trading purposes. The holding period of these breeder stocks is usually 2 to 3 months before they are put up for sale. As at the reporting date, these stocks are measured based on their fair value less estimated point-of-sale costs, with any change therein recognised in profit or loss. The fair value is determined based on the age, breed and genetic merit of similar fish that can be purchased from suppliers. Point-of-sale costs include all costs that would be necessary to sell the assets, excluding costs necessary to get the assets to market.

## 2.6 Inventories

Inventories comprise raw materials, work-in-progress and manufactured goods, and ornamental fishes acquired from suppliers.

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average cost formula and comprises all costs of purchase, conversion and other costs incurred in bringing the inventories to their present condition and location. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated cost of completion and the estimated costs to make the sale.

## Notes to the Financial Statements (cont'd)

### 2.7 Intangible assets

#### **Goodwill**

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets and represents the excess of:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

#### *Subsequent measurement*

Goodwill is measured at cost less accumulated impairment losses. In respect of equity-accounted investees, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted investee.

#### **Other intangible assets**

##### *(a) Trademarks/Customer acquisition costs*

Trademarks/Customer acquisition costs are estimated to have indefinite lives because based on the current market share of the trademarks, management believes there is no foreseeable limit to the period over which the trademarks are expected to generate net cash flows for the Group.

Such intangible assets are tested for impairment annually as described in note 2.10.

##### *(b) Product listing fees*

Product listing fees with finite lives are stated at cost less accumulated amortisation and impairment losses.

These costs are amortised on a straight-line basis over 3 years.

The amortisation period and method are reviewed at least once at each financial year end.

### 2.8 Financial instruments

#### **Non-derivative financial assets**

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when the Group has a legal right to offset the amounts and intends to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into the loans and receivables category.

#### • **Loans and receivables**

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

## 2.8 Financial instruments (cont'd)

### • **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and bank deposits.

### ***Non-derivative financial liabilities***

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, and trade and other payables.

### ***Intra-group financial guarantees***

Financial guarantees are financial instruments issued by the Group that requires the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantees is transferred to profit or loss.

Intra-group financial guarantees are eliminated on consolidation.

### ***Share capital***

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

## 2.9 Leases

### ***When entities within the Group are lessees of a finance lease***

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, property, plant and equipment acquired through finance leases are capitalised at the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

At inception, an arrangement that contains a lease is accounted for as such based on the terms and conditions even though the arrangement is not in the legal form of a lease.

## Notes to the Financial Statements (cont'd)

### 2.9 Leases (cont'd)

#### ***When entities within the Group are lessees of an operating lease***

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

### 2.10 Impairment

#### ***Non-financial assets***

The carrying amounts of the Group's non-financial assets, other than biological assets and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups.

Impairment losses are recognised in profit or loss.

The recoverable amount of an asset or cash-generating unit is greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or cash-generating unit.

An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

#### ***Financial assets***

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Financial assets are tested for impairment on an individual basis.

All impairment losses are recognised in profit or loss. Impairment losses in respect of financial assets are reversed to profit or loss if the subsequent increase in fair value can be related objectively to an event occurring after the impairment loss was recognised.

### 2.11 Employee benefits

#### ***Defined contribution plans***

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

#### ***Short-term benefits***

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.



**2.12 Revenue recognition**

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

**2.13 Finance income and expenses**

Finance income comprises interest income on bank deposits and dividend income. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group's right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise interest expense on borrowings. All borrowing costs are recognised in profit or loss in the year in which they are incurred using the effective interest method, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use or sale.

**2.14 Tax**

Tax expense comprises current and deferred tax. Tax expense is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit;
- temporary differences related to investments in subsidiaries and jointly controlled entities to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

**2.15 Segment reporting**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Executive Chairman and Managing Director to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

## Notes to the Financial Statements (cont'd)

**3 Property, plant and equipment**

<b>Group</b>	<b>Freehold land and buildings \$</b>	<b>Leasehold land and buildings \$</b>	<b>Leasehold improvements \$</b>	<b>Motor vehicles \$</b>
<b>Cost</b>				
At 1 January 2011	6,615,369	9,000,809	613,291	2,554,801
Translation differences on consolidation	(175,503)	(11,196)	(18,384)	(25,558)
Additions	11,098	149,765	329,052	282,588
Disposals/Write offs/Transfers	—	—	—	(164,791)
Disposal of a subsidiary	—	—	—	(38,669)
At 31 December 2011	6,450,964	9,139,378	923,959	2,608,371
Translation differences on consolidation	(131,899)	(20,522)	(31,717)	(43,516)
Additions	3,220	25,975	237,788	425,943
Disposals/Write offs/Transfers	(9,924)	—	—	(204,499)
Disposal of a subsidiary	(6,113,361)	—	—	(252,951)
At 31 December 2012	199,000	9,144,831	1,130,030	2,533,348
<b>Accumulated depreciation and impairment losses</b>				
At 1 January 2011	1,037,178	4,300,718	435,207	1,588,372
Translation differences on consolidation	(27,525)	(7,598)	(14,811)	(17,783)
Depreciation charge for the year	194,049	856,352	79,040	348,251
Disposals/Write offs/Transfers	—	—	—	(162,323)
Disposal of a subsidiary	—	—	—	(26,944)
At 31 December 2011	1,203,702	5,149,472	499,436	1,729,573
Translation differences on consolidation	(24,751)	(13,143)	(20,885)	(27,645)
Depreciation charge for the year	163,897	844,764	126,754	355,316
Disposals/Write offs/Transfers	(1,918)	—	—	(179,730)
Disposal of a subsidiary	(1,288,722)	—	—	(246,815)
At 31 December 2012	52,208	5,981,093	605,305	1,630,699
<b>Carrying amount</b>				
At 1 January 2011	5,578,191	4,700,091	178,084	966,429
At 31 December 2011	5,247,262	3,989,906	424,523	878,798
At 31 December 2012	146,792	3,163,738	524,725	902,649

Computers \$	Furniture, fittings and office equipment \$	Equipment and tools \$	Machinery and equipment \$	Electrical and installation \$	Construction in-progress \$	Total \$
1,327,141	1,433,926	916,414	4,913,261	1,785,465	–	29,160,477
(8,668)	(21,535)	(13,205)	42,768	(7,482)	–	(238,763)
102,941	85,892	68,523	679,398	42,556	–	1,751,813
(41,102)	(21,515)	(4,751)	(47,073)	(80,454)	–	(359,686)
(31,710)	(108,258)	–	(1,455,860)	(147,501)	–	(1,781,998)
1,348,602	1,368,510	966,981	4,132,494	1,592,584	–	28,531,843
(12,926)	(31,738)	(21,614)	(23,799)	(25,005)	–	(342,736)
101,105	87,043	18,046	483,314	22,683	227,738	1,632,855
(18,451)	(25,183)	(1,385)	(39,051)	–	–	(298,493)
(8,531)	(104,956)	(557,026)	(24,744)	(48,033)	–	(7,109,602)
1,409,799	1,293,676	405,002	4,528,214	1,542,229	227,738	22,413,867
978,028	993,959	572,498	4,063,993	1,407,171	–	15,377,124
(5,533)	(11,482)	(8,644)	44,546	(8,699)	–	(57,529)
149,942	113,568	82,216	240,611	115,975	–	2,180,004
(40,561)	(12,830)	(3,969)	(40,611)	(80,454)	–	(340,748)
(30,232)	(106,846)	–	(1,394,739)	(115,001)	–	(1,673,762)
1,051,644	976,369	642,101	2,913,800	1,318,992	–	15,485,089
(19,091)	(21,510)	(14,427)	(19,890)	(18,918)	–	(180,260)
158,911	87,929	69,293	314,992	96,366	–	2,218,222
(8,223)	(11,796)	(739)	(28,026)	–	–	(230,432)
(604)	(104,956)	(339,112)	(16,163)	(5,011)	–	(2,001,383)
1,182,637	926,036	357,116	3,164,713	1,391,429	–	15,291,236
349,113	439,967	343,916	849,268	378,294	–	13,783,353
296,958	392,141	324,880	1,218,694	273,592	–	13,046,754
227,162	367,640	47,886	1,363,501	150,800	227,738	7,122,631

## Notes to the Financial Statements (cont'd)

**3 Property, plant and equipment** (cont'd)

<b>Company</b>	<b>Leasehold land and buildings \$</b>	<b>Leasehold improvements \$</b>	<b>Motor vehicles \$</b>	<b>Computers \$</b>
<b>Cost</b>				
At 1 January 2011	8,678,370	83,848	868,298	853,247
Additions	10,600	144,006	168,662	70,622
Disposals/Write-offs	—	—	(68,707)	(40,402)
At 31 December 2011	8,688,970	227,854	968,253	883,467
Additions	25,975	97,283	241,358	56,255
Disposals/Write-offs	—	—	(78,344)	(3,488)
At 31 December 2012	8,714,945	325,137	1,131,267	936,234
<b>Accumulated depreciation and impairment losses</b>				
At 1 January 2011	4,081,904	8,547	551,398	647,551
Depreciation charge for the year	779,135	32,707	129,968	105,370
Disposals/Write-offs	—	—	(68,707)	(39,861)
At 31 December 2011	4,861,039	41,254	612,659	713,060
Depreciation charge for the year	784,849	53,351	159,817	112,307
Disposals/Write-offs	—	—	(63,211)	(3,488)
At 31 December 2012	5,645,888	94,605	709,265	821,879
<b>Carrying amount</b>				
At 1 January 2011	4,596,466	75,301	316,900	205,696
At 31 December 2011	3,827,931	186,600	355,594	170,407
At 31 December 2012	3,069,057	230,532	422,002	114,355

The carrying amounts of property, plant and equipment of the Group and the Company include amounts totalling \$661,022 (2011: \$711,671) and \$264,125 (2011: \$287,387) respectively, in respect of property, plant and equipment acquired under finance lease arrangements.

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of \$1,632,855 (2011: \$1,751,813), of which \$135,394 (2011: \$119,126) were acquired under finance leases. Cash payments of \$1,497,461 (2011: \$1,632,687) were made to purchase property, plant and equipment.

As at 31 December 2011, there was freehold land of a subsidiary with a carrying amount of \$1,477,378 held by a director of the subsidiary in trust for the subsidiary. The subsidiary was disposed of during the financial year.

<b>Furniture, fittings and office equipment \$</b>	<b>Machinery and equipment \$</b>	<b>Electrical and installation \$</b>	<b>Construction in-progress \$</b>	<b>Total \$</b>
421,076	1,191,570	365,580	–	12,461,989
7,117	526,864	4,041	–	931,912
–	(1,120)	–	–	(110,229)
428,193	1,717,314	369,621	–	13,283,672
32,104	376,321	15,788	227,738	1,072,822
–	(36,555)	–	–	(118,387)
460,297	2,057,080	385,409	227,738	14,238,107
292,107	693,969	314,417	–	6,589,893
25,235	117,034	9,268	–	1,198,717
–	(533)	–	–	(109,101)
317,342	810,470	323,685	–	7,679,509
27,760	209,230	11,013	–	1,358,327
–	(27,618)	–	–	(94,317)
345,102	992,082	334,698	–	8,943,519
128,969	497,601	51,163	–	5,872,096
110,851	906,844	45,936	–	5,604,163
115,195	1,064,998	50,711	227,738	5,294,588



## Notes to the Financial Statements (cont'd)

**3 Property, plant and equipment** (cont'd)

Details of properties held by the Group and the Company as at 31 December are as follows:

Location	Description and existing use	Tenure/ Unexpired term	Land area (sq m)	Carrying amount	
				2012 \$	2011 \$
<b>Held by the Company</b>					
<b>- Leasehold buildings</b>					
69 & 71 Jalan Lekar, Singapore	Fish farming	20 years from 11 November 1993	41,776	606,425	1,202,626
<b>- Leasehold land and buildings</b>					
78 Jalan Lekar, Singapore	Fish farming	20 years from 20 February 2008	19,343	2,462,632	2,625,305
<b>Held through subsidiaries</b>					
<b>- Leasehold land and buildings</b>					
30/25 & 30/26 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand	Fish farming	1 January 2011 to 31 December 2013	3,290	64,467	83,808
30/23 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand	Fish farming	1 January 2011 to 31 December 2013	1,740	—	—
30/24 Moo 8, Klongnung, Klongluang, Pathumthani, 12120 Thailand	Fish farming	1 January 2012 to 31 December 2014	1,740	30,214	78,167
<b>Held through subsidiaries</b>					
<b>- Freehold land and buildings</b>					
761 Rangsit - Nakornayok 52 Road, Pachatipat, Tanyaburi, Pathumtani, 12130 Thailand	Residential	Freehold	444	146,792	164,253
Lot No 1646, 1647, 4138, 4139, 4141, 4937 & 4938 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming	Freehold	153,729	—	3,684,040
Lot No 4137 GM No 3164 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming	Freehold	43,478		
Lot No 4153 GM No 2096 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming	Freehold	13,759		
Lot No 4774 GM No 549 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming	Freehold	8,903		
Lot No 5092 GRN 50300 Mukim of Linau, District of Batu Pahat, Johor, Malaysia	Fish farming	Freehold	118,875	—	1,398,969
				3,310,530	9,237,168

#### 4 Biological assets

	Brooder stocks			
	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>Cost</b>				
At 1 January	32,370,123	33,150,507	3,425,000	3,425,000
Translation differences on consolidation	(567,551)	(780,384)	–	–
Additions	6,050,000	338,966	6,050,000	–
Disposals	–	(338,966)	–	–
Disposal of a subsidiary	(28,377,572)	–	–	–
At 31 December	9,475,000	32,370,123	9,475,000	3,425,000
<b>Accumulated depreciation and impairment loss</b>				
At 1 January	3,451,478	2,900,764	443,078	374,578
Translation differences on consolidation	(58,988)	(66,320)	–	–
Depreciation charge for the year	523,505	647,402	97,841	68,500
Disposals	–	(30,368)	–	–
Disposal of a subsidiary	(3,375,076)	–	–	–
At 31 December	540,919	3,451,478	540,919	443,078
<b>Carrying amount</b>				
At 31 December	8,934,081	28,918,645	8,934,081	2,981,922
Estimated quantity at year end	1,850	11,661	1,850	750

The brooder stocks are parent stocks of dragon fish, held by the Group and the Company for use in the breeding of dragon fish. Due to the uniqueness of each dragon fish and as an active market does not exist for the brooder stocks, the brooder stocks are stated at cost less accumulated depreciation and accumulated impairment losses. The depreciation method, useful lives and residual values are reviewed at each reporting date.

## Notes to the Financial Statements (cont'd)

**4 Biological assets** (cont'd)

The brooder stocks are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of the brooder stocks to be 50 years. Management monitors the mortality rate of the brooder stocks on a continuing basis and is not aware of any developments or research findings that would require a revision of the useful lives for the brooder stocks.

	Breeder stocks			
	Group		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
At 1 January	992,534	1,283,395	400,390	426,195
Change in fair value less estimated point-of-sale costs	(83,040)	(107,597)	(83,040)	(121,945)
Decreases due to sales	(1,467,145)	(3,692,904)	(890,530)	(939,280)
Net increase due to births	1,347,517	3,509,640	770,902	1,035,420
Disposal of a subsidiary	(592,144)	—	—	—
At 31 December	197,722	992,534	197,722	400,390
Estimated quantity at year end	508	1,576	508	895

During the financial year, the brooder stocks of the Group and the Company bred approximately 5,058 and 2,193 (2011: 8,876 and 2,266) of dragon fish, respectively.

The Group is exposed to a number of risks related to its brooder stocks and breeder stocks:

**Regulatory and environmental risks**

The Group is subject to laws and regulations in various countries in which it operates. The Group has established environmental policies and procedures aimed at compliance with local environmental and other laws. Management performs regular reviews to identify environmental risks and to ensure that the systems in place are adequate to manage those risks.

**Supply and demand risk**

The Group is exposed to risks arising from fluctuations in the price and sales volume of breeder stocks. Management performs regular industry trend analysis to ensure that the Group's pricing structure is in line with the market and to manage the breeding program.

**Climate and other risks**

The Group's brooder stocks and breeder stocks are exposed to the risk of damage and fatalities from climatic changes, diseases and other natural forces. The Group has extensive processes in place aimed at monitoring and mitigating those risks, including regular health inspections and industry disease surveys.

## 5 Intangible assets

<b>Group</b>	<b>Trademarks/ Customer acquisition costs \$</b>	<b>Product listing fees \$</b>	<b>Goodwill on consolidation \$</b>	<b>Total \$</b>
<b>Cost</b>				
At 1 January 2011	938,414	196,153	1,965,620	3,100,187
Translation differences on consolidation	(444)	–	–	(444)
Disposal of a subsidiary	–	–	(50,864)	(50,864)
At 31 December 2011	937,970	196,153	1,914,756	3,048,879
Translation differences on consolidation	(404)	–	–	(404)
Disposal of a subsidiary	–	–	(1,914,756)	(1,914,756)
At 31 December 2012	937,566	196,153	–	1,133,719
<b>Accumulated amortisation and impairment loss</b>				
At 1 January 2011	595,366	196,153	–	791,519
Translation differences on consolidation	(444)	–	–	(444)
At 31 December 2011	594,922	196,153	–	791,075
Translation differences on consolidation	(404)	–	–	(404)
At 31 December 2012	594,518	196,153	–	790,671
<b>Carrying amount</b>				
At 1 January 2011	343,048	–	1,965,620	2,308,668
At 31 December 2011	343,048	–	1,914,756	2,257,804
At 31 December 2012	343,048	–	–	343,048
<b>Company</b>				
<b>Cost</b>				
At 1 January 2011, 31 December 2011 and 2012	921,497	196,153	–	1,117,650
<b>Accumulated amortisation</b>				
At 1 January 2011, 31 December 2011 and 2012	578,449	196,153	–	774,602
<b>Carrying amount</b>				
At 1 January 2011, 31 December 2011 and 2012	343,048	–	–	343,048

The amortisation charged is recognised in selling and distribution expenses in the income statement.

### **Impairment tests for cash-generating units containing trademarks/customer acquisition costs**

Trademarks/Customer acquisition costs are costs paid for the acquisition and registration of brands and trademarks of pet food.

The recoverable amounts of the above balances are based on value in use and are determined by discounting the future cash flows to be generated from the continuing use of the CGU. Value in use in 2012 was determined in a similar manner as in 2011. No impairment loss was required for the carrying amount of trademarks/customer acquisition costs at 31 December 2012 and 31 December 2011 as the recoverable value was in excess of the carrying value.

## Notes to the Financial Statements (cont'd)

**5 Intangible assets** (cont'd)**Key assumptions used in discounted cash flow projection calculations**

Key assumptions used in the calculation of recoverable amounts of trademarks/customer acquisition costs are discount rates and growth rates. These assumptions are as follows:

	Discount rate		Terminal value growth rate		Budgeted revenue growth	
	2012	2011	2012	2011	2012	2011
Pet food	11.1%	12.0%	3.0%	3.0%	10.0%	7.0%

*Discount rate*

The discount rates used are pre-tax based on the risk-free rate for 10-year bonds issued by the government in the relevant market, adjusted for a risk premium to reflect both the increased risk of investing in equities and the systemic risk of the specific business activities.

*Terminal value growth rate*

Management includes five years of cash flows based on financial budgets approved by management in their discounted cash flow models. A long-term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the country in which the division is based and the long-term compound annual growth rate in EBITDA estimated by management.

*Budgeted revenue growth*

The anticipated annual revenue growth included in the cash flow projections was based on past performance and its expectation for market development.

**6 Subsidiaries**

	Company	
	2012 \$	2011 \$
Unquoted equity investments, at cost	2,063,156	10,601,547



**6 Subsidiaries** (cont'd)

Details of subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation and business	Effective equity held by the Group		Cost of investment by the Company	
			2012 %	2011 %	2012 \$	2011 \$
* Qian Hu Tat Leng Plastic Pte Ltd	Manufacture of plastic bags	Singapore	100	100	57,050	57,050
^ Qian Hu Aquarium and Pets (M) Sdn. Bhd. and its subsidiary:	Trading and distribution of ornamental fish and aquarium and pet accessories	Malaysia	100	100	171,951	171,951
^ Qian Hu The Pet Family (M) Sdn. Bhd.	Trading of ornamental fish and aquarium accessories	Malaysia	100	100	–	–
# Kim Kang Aquaculture Sdn. Bhd.	Breeding, and trading of ornamental fish	Malaysia	–	65	–	8,538,391
^ Beijing Qian Hu Aquarium and Pets Co., Ltd	Import and export of cold water ornamental fish and distribution of aquarium accessories	People's Republic of China	100	100	171,824	171,824
^ Shanghai Qian Hu Aquarium and Pets Co., Ltd	Trading and distribution of ornamental fish and aquarium accessories	People's Republic of China	100	100	1,086,516	1,086,516
^ Qian Hu Marketing Co Ltd	Distribution of aquarium and pet accessories	Thailand	74 <sup>♦</sup>	74 <sup>♦</sup>	148,262	148,262
^ Thai Qian Hu Company Limited and its subsidiary:	Trading of ornamental fish	Thailand	60	60	121,554	121,554
^ Advance Aquatic Co., Ltd	Trading of ornamental fish	Thailand	60	60	–	–
^ NNTL (Thailand) Limited	Investment holding	Thailand	49 <sup>®</sup>	49 <sup>®</sup>	30,999	30,999
^^ P.T. Qian Hu Joe Aquatic Indonesia	Dormant	Indonesia	55	55	275,000	275,000
					<u>2,063,156</u>	<u>10,601,547</u>

In September 2012, the Company disposed of its entire equity interest in Kim Kang Aquaculture Sdn. Bhd.

KPMG LLP Singapore is the auditor of the Singapore-incorporated subsidiary. A member firm of KPMG International was auditor of a significant foreign-incorporated subsidiary in 2011. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

## Notes to the Financial Statements (cont'd)

**6 Subsidiaries** (cont'd)

\* Audited by KPMG LLP Singapore.

# Audited by KPMG Malaysia, a member firm of KPMG International, in 2011.

^ Audited by other certified public accountants. These subsidiaries are not significant as defined under Listing Rule 718 of the Singapore Exchange Listing Manual.

^^ Statutory audit is not required as at 31 December 2011 and audited by other certified public accountants, in 2012.

♦ This represents the Group's effective interest in Qian Hu Marketing Co Ltd. The Company holds a 49% direct interest in Qian Hu Marketing Co Ltd and the remaining effective interest of 25% is held through a subsidiary, NNLT (Thailand) Limited.

@ NNLT (Thailand) Limited is considered a subsidiary of the Company as the Company has voting control at general meetings and Board meetings of NNLT (Thailand) Limited.

**7 Associates**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Investment in associates, at cost	1,215,200	1,215,200	1,215,200	1,215,200
Impairment loss on investment	(221,779)	–	(400,000)	–
Share of post-acquisition losses	(285,278)	(208,606)	–	–
	<u>708,143</u>	<u>1,006,594</u>	<u>815,200</u>	<u>1,215,200</u>

Investment in associates at 31 December 2012 includes goodwill of \$134,289 (2011: \$134,289).

Details of associates are as follows:

<b>Name of associate</b>	<b>Principal activities</b>	<b>Country of incorporation</b>	<b>Effective equity held by the Group</b>	
			<b>2012</b>	<b>2011</b>
			<b>%</b>	<b>%</b>
^ Arcadia Products PLC	Manufacture and distribution of aquarium lamps	United Kingdom	20	20
^ Qian Hu Aquasstar (India) Private Limited	Manufacture of fish food and aquarium accessories	India	50	50

^ The associates are audited by other certified public accountants. These associates are not significant as defined under Listing Rule 718 of the Singapore Exchange Listing Manual.

**7 Associates (cont'd)**

The summarised financial information relating to the associates is not adjusted for the percentage of ownership held by the Group.

The financial information of the associates is as follows:

	2012 \$	2011 \$
<b>Assets and liabilities</b>		
Total assets	7,288,657	6,940,047
Total liabilities	4,901,466	4,609,088
<b>Results</b>		
Revenue	10,219,291	10,710,914
Expenses	10,639,925	11,037,753
Loss after taxation	420,634	326,839

***Impairment of investment in associates***

Significant judgement is required in determining the impairment of these associates at each reporting date and this requires the management to make estimates and assumptions that affect the financial statements.

Management is required to exercise judgement in determining whether there is objective evidence that an impairment loss has occurred.

Management has performed an impairment review to assess the recoverable amount of the associates. An impairment loss of \$221,779 and \$400,000 was recognised at the Group and at the Company, respectively, for the year ended 31 December 2012 to write down the carrying amount of the associates to their recoverable amounts. The estimates of the recoverable amount of the investments have been determined by management based on the net assets value of the associates as at 31 December 2012, which approximates the recoverable amount of the investment in the associates.

The change in impairment loss in respect of investment in associates during the year is as follows:

	<b>Group</b>		<b>Company</b>	
	2012 \$	2011 \$	2012 \$	2011 \$
Balance at 1 January	–	–	–	–
Impairment loss recognised	221,779	–	400,000	–
Balance at 31 December	221,779	–	400,000	–

## Notes to the Financial Statements (cont'd)

**8 Trade and other receivables**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade receivables	28,900,045	28,810,854	23,398,341	21,755,089
Allowance for doubtful trade receivables	(2,135,131)	(1,661,636)	(1,913,823)	(1,627,723)
Net receivables	26,764,914	27,149,218	21,484,518	20,127,366
Deposits	298,206	352,836	84,560	75,940
Deposits for purchase of property, plant and equipment	478,231	325,727	448,806	291,034
Prepayments	561,287	594,198	307,820	205,789
Advances to suppliers	2,552,793	2,362,974	2,307,170	2,210,338
Tax recoverable	26,243	435,653	–	–
Other receivables	5,133,561	248,913	5,058,541	193,476
Amounts due from:				
- subsidiaries (trade)	–	–	5,946,793	9,590,533
- subsidiaries (non-trade)	–	–	426,681	2,481,395
- associates (trade)	327,196	61,464	327,196	61,464
	36,142,431	31,530,983	36,392,085	35,237,335
Non-current	3,720,000	–	3,720,000	–
Current	32,422,431	31,530,983	32,672,085	35,237,335
	36,142,431	31,530,983	36,392,085	35,237,335

Outstanding balances with subsidiaries are unsecured, interest-free and are repayable on demand. There is no allowance for doubtful debts arising from the outstanding balances.

Receivables denominated in currencies other than the Company's functional currency comprise:

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
US Dollar	3,258,201	4,026,076	2,232,814	2,877,634
Euro	1,352,762	1,434,882	1,344,471	1,414,711
Ringgit Malaysia	1,219,599	1,368,101	–	–
Thai Baht	620,494	594,248	–	–
Chinese Renminbi	1,041,473	2,280,740	506,562	275,913
Indonesian Rupiah	3,818	–	–	–

**8 Trade and other receivables (cont'd)****Impairment losses**

The ageing of trade receivables at the reporting date is:

	Gross receivables 2012 \$	Impairment loss 2012 \$	Gross receivables 2011 \$	Impairment loss 2011 \$
<b>Group</b>				
Not past due	6,831,244	–	9,137,384	–
Past due 0 – 30 days	3,407,083	–	3,525,022	–
Past due 31 – 60 days	1,746,727	–	2,014,018	–
Past due 61 – 90 days	1,359,180	–	1,950,485	–
Past due more than 90 days	15,555,811	2,135,131	12,183,945	1,661,636
	28,900,045	2,135,131	28,810,854	1,661,636
<b>Company</b>				
Not past due	4,554,781	–	6,747,219	–
Past due 0 – 30 days	1,825,401	–	1,885,407	–
Past due 31 – 60 days	1,210,918	–	1,259,389	–
Past due 61 – 90 days	1,130,248	–	1,184,699	–
Past due more than 90 days	14,676,993	1,913,823	10,678,375	1,627,723
	23,398,341	1,913,823	21,755,089	1,627,723

The change in impairment loss in respect of trade receivables during the financial year is as follows:

	<b>Group</b>		<b>Company</b>	
	2012 \$	2011 \$	2012 \$	2011 \$
At 1 January	1,661,636	2,203,499	1,627,723	1,975,435
Impairment loss recognised	475,179	428,890	286,100	430,894
Amount written off against allowance made	(1,586)	(970,593)	–	(778,606)
Translation differences on consolidation	(98)	(160)	–	–
At 31 December	2,135,131	1,661,636	1,913,823	1,627,723

Trade and other receivables of the Group and Company as at 31 December 2012 include approximately \$11.4 million (2011: \$12.7 million) owing by Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd (GZQH), a former subsidiary of the Group. These include trade receivables of \$10.0 million (2011: \$10.5 million) which are overdue. Management is of the view that these overdue amounts are not impaired as GZQH will be able to repay the debts from its operating or other cash flows. The recoverability of the amounts owing by GZQH as at 31 December 2012 is guaranteed by a major shareholder of the Company.

Included in other receivables of the Group and Company as at 31 December 2012 is a non-trade amount of approximately \$1.5 million and \$3.5 million owing by Kim Kang Aquaculture Sdn. Bhd. (KKSB), a former subsidiary of the Group and the purchasers of KKSB respectively. The latter is guaranteed by one of the purchasers of KKSB.



## Notes to the Financial Statements (cont'd)

**8 Trade and other receivables (cont'd)**

Except for the abovementioned, concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. Many of these customers are internationally dispersed, engage in a wide spectrum of distribution activities, and sell in a variety of end markets. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond amounts provided for collection losses is inherent in the Group's trade receivables.

**9 Inventories**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Fish	3,552,786	7,534,168	2,503,962	2,326,394
Accessories	11,857,926	11,253,043	4,424,991	4,557,827
Raw materials – plastic products	288,341	258,032	–	–
Finished goods – plastic products	522,978	540,533	–	–
	<u>16,222,031</u>	<u>19,585,776</u>	<u>6,928,953</u>	<u>6,884,221</u>

**10 Cash and cash equivalents**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Fixed deposits with a financial institution	25,446	24,560	25,446	24,560
Cash and bank balances	8,246,907	8,580,991	4,949,834	4,048,857
	<u>8,272,353</u>	<u>8,605,551</u>	<u>4,975,280</u>	<u>4,073,417</u>

Fixed deposits bear effective interest rates ranging from 0.5% to 0.7% (2011: 0.7%) per annum. The fixed deposits are pledged to a financial institution to secure performance guarantees issued by that financial institution.

Cash and bank balances earn interests at floating rates based on daily bank deposit rates from 0% to 0.1% (2011: 0% to 0.1%) per annum.

Cash and cash equivalents denominated in foreign currencies other than the Company's functional currency comprise:

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
US Dollar	745,783	691,264	389,890	517,562
Euro	72,116	60,673	30,910	26,682
Ringgit Malaysia	644,753	739,967	–	–
Thai Baht	1,001,949	1,400,708	–	–
Chinese Renminbi	572,066	711,420	–	–
Indonesian Rupiah	143,052	500,150	–	–

## 11 Share capital

	Company			
	2012 \$	2012 No. of shares	2011 \$	2011 No. of shares
<b>Fully paid ordinary shares, with no par value:</b>				
At 31 December	30,772,788	454,106,350	30,772,788	454,106,350

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

### Capital management

The Board's policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity, excluding non-controlling interests. The Board of Directors also monitors the level of dividends to ordinary equity holders. The Group funds its operations and growth through a mix of equity and debts. This includes the maintenance of adequate lines of credit and assessing the need to raise additional equity where required.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

	Group		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Net debt	14,622,422	18,960,526	15,165,223	15,313,925
Total equity	54,119,835	73,623,604	45,251,632	47,128,506
Total capital	68,742,257	92,584,130	60,416,855	62,442,431
<b>Gearing ratio</b>	0.21	0.20	0.25	0.25

The Group and the Company are in compliance with all borrowing covenants for the financial years ended 31 December 2011 and 2012. There were no changes in the Group's approach to capital management during the financial year.

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

## Notes to the Financial Statements (cont'd)

**12 Reserves**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Accumulated profits	22,343,652	34,204,872	14,478,844	16,355,718
Currency translation reserve	(587,044)	(1,544,213)	–	–
	<u>21,756,608</u>	<u>32,660,659</u>	<u>14,478,844</u>	<u>16,355,718</u>

The currency translation reserve of the Group comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company and the translation of monetary items which form part of the Group's net investment in the foreign operations, provided certain conditions are met.

**13 Financial liabilities**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Non-current liabilities</b>				
Finance lease liabilities	253,608	297,712	106,808	135,232
<b>Current liabilities</b>				
Singapore dollar short-term loans (unsecured)	12,000,000	10,500,000	12,000,000	10,500,000
Ringgit Malaysia ("RM") long-term loans (unsecured)	–	777,363	–	–
Bills payable to banks (unsecured)	883,938	4,226,403	883,938	741,204
Finance lease liabilities	157,501	176,768	68,365	71,789
	<u>13,041,439</u>	<u>15,680,534</u>	<u>12,952,303</u>	<u>11,312,993</u>
Total borrowings	<u>13,295,047</u>	<u>15,978,246</u>	<u>13,059,111</u>	<u>11,448,225</u>

The unsecured short-term loans are revolving bank loans which bear interest at rates from 1.23% to 1.50% (2011: 1.27% to 1.47%) per annum and are repayable within the next 12 months from the reporting date.

In the previous financial year, the long-term loans, taken by a subsidiary, comprised:

- 10-year unsecured bank loan of RM2.5 million, bore interest at 8.10% per annum and was repayable in 120 monthly instalments commencing March 2007; and
- 5-year unsecured bank loan of RM3.0 million, bore interest at 7.60% per annum and was repayable in 60 monthly instalments commencing May 2009.

The weighted average effective interest rates per annum relating to the bills payable to banks, at the reporting date for the Group and the Company are 5.25% (2011: 4.54%) and 5.25% (2011: 5.25%) respectively. These bills mature within 1 to 4 months from the reporting date.

**13 Financial liabilities (cont'd)**

Bills payable to banks denominated in foreign currencies other than the Company's functional currency comprise:

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Ringgit Malaysia	—	3,485,199	—	—

**Finance lease liabilities**

At 31 December, the Group and the Company had obligations under finance leases that are payable as follows:

	<b>2012</b>			<b>2011</b>		
	<b>Principal</b>	<b>Interest</b>	<b>Payments</b>	<b>Principal</b>	<b>Interest</b>	<b>Payments</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Group</b>						
Repayable within 1 year	157,501	20,543	178,044	176,768	23,389	200,157
Repayable after 1 year but within 5 years	253,608	29,577	283,185	297,712	31,979	329,691
	<u>411,109</u>	<u>50,120</u>	<u>461,229</u>	<u>474,480</u>	<u>55,368</u>	<u>529,848</u>
<b>Company</b>						
Repayable within 1 year	68,365	10,423	78,788	71,789	11,107	82,896
Repayable after 1 year but within 5 years	106,808	15,379	122,187	135,232	19,326	154,558
	<u>175,173</u>	<u>25,802</u>	<u>200,975</u>	<u>207,021</u>	<u>30,433</u>	<u>237,454</u>

Lease terms range from 1 to 5 years with options to purchase at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing. The average discount rates implicit in the Group's and the Company's finance lease obligations are 4.43% (2011: 4.64%) and 5.94% (2011: 6.27%) respectively.

## Notes to the Financial Statements (cont'd)

**13 Financial liabilities** (cont'd)

The following are the contractual maturities of financial liabilities, including estimated interest payments:

	Carrying amount  \$	Cash flows			
		Contractual cash flows \$	Within 1 year \$	Within 1 to 5 years \$	More than 5 years \$
<b>Group</b>					
<b>2012</b>					
Bills payable to banks	883,938	930,345	930,345	–	–
S\$ floating rate loans	12,000,000	12,163,800	12,163,800	–	–
Finance lease liabilities	411,109	461,229	178,044	283,185	–
Trade and other payables	9,599,728	9,599,728	9,599,728	–	–
	22,894,775	23,155,102	22,871,917	283,185	–
<b>2011</b>					
Bills payable to banks	4,226,403	4,290,363	4,290,363	–	–
S\$ floating rate loans	10,500,000	10,643,850	10,643,850	–	–
RM floating rate loans	777,363	842,117	446,197	395,920	–
Finance lease liabilities	474,480	529,848	200,157	329,691	–
Trade and other payables	11,587,831	11,587,831	11,587,831	–	–
	27,566,077	27,894,009	27,168,398	725,611	–
<b>Company</b>					
<b>2012</b>					
Bills payable to banks	883,939	930,345	930,345	–	–
S\$ floating rate loans	12,000,000	12,163,800	12,163,800	–	–
Finance lease liabilities	175,173	200,975	78,788	122,187	–
Trade and other payables	7,081,392	7,081,392	7,081,392	–	–
	20,140,504	20,376,512	20,254,325	122,187	–
<b>2011</b>					
Bills payable to banks	741,204	754,175	754,175	–	–
S\$ floating rate loans	10,500,000	10,643,850	10,643,850	–	–
Finance lease liabilities	207,021	237,454	82,896	154,558	–
Trade and other payables	7,939,117	7,939,117	7,939,117	–	–
Recognised financial liabilities	19,387,342	19,574,596	19,420,038	154,558	–
Intra-group financial guarantees (drawn-down amount)	–	4,262,562	4,262,562	–	–
	19,387,342	23,837,158	23,682,600	154,558	–



**14 Deferred tax liabilities**

	Group		Company	
	2012	2011	2012	2011
	\$	\$	\$	\$
<b>Deferred tax liabilities</b>				
Property, plant and equipment and biological assets	410,000	4,200,213	380,000	556,595
<hr/>				
Movement in deferred tax liabilities				
	Note	Group	Company	
		\$	\$	
At 1 January 2011		4,329,093	556,595	
Recognised in profit or loss	19	(36,222)	–	
Translation differences on consolidation		(92,658)	–	
At 31 December 2011		4,200,213	556,595	
Recognised in profit or loss	19	(174,595)	(176,595)	
Translation differences on consolidation		(67,955)	–	
Disposal of a subsidiary		(3,547,663)	–	
At 31 December 2012		410,000	380,000	

Deferred tax assets have not been recognised in respect of tax losses for certain subsidiaries because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

**15 Trade and other payables**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade payables	5,537,314	6,711,318	2,666,821	3,206,395
Accrued operating expenses	359,042	359,595	281,315	184,968
Other payables	1,683,298	1,871,113	1,432,852	1,610,530
Accrued staff costs	1,657,606	1,852,908	1,285,877	1,474,390
Advance received from customers	332,984	792,897	317,112	287,114
Amounts due to subsidiaries				
- trade	–	–	55,114	45,720
- non-trade	–	–	1,042,301	1,130,000
Amount due to non-controlling shareholder of a subsidiary				
- non-trade	29,484	–	–	–
	9,599,728	11,587,831	7,081,392	7,939,117

Other payables are interest-free and have an average term of three months. The non-trade amounts due to subsidiaries and minority shareholder of a subsidiary are unsecured, interest-free and repayable on demand.

## Notes to the Financial Statements (cont'd)

**15 Trade and other payables (cont'd)**

Payables denominated in currencies other than the Company's functional currency comprise:

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
US Dollar	978,672	568,208	706,040	331,148
Euro	849,901	676,838	849,901	676,838
Ringgit Malaysia	627,653	1,440,597	15,933	8,726
Japanese Yen	118,441	—	118,441	—
Thai Baht	168,038	370,008	—	—
Chinese Renminbi	957,113	301,133	264,891	10,055
Australian Dollar	338,589	5,867	338,589	5,867
Hong Kong Dollar	80,884	—	80,884	—
New Taiwan Dollar	104,441	144,231	61,055	127,884
Indonesian Rupiah	18,680	—	—	—

**16 Revenue**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Sale of goods				
- fish	36,280,555	42,712,977	22,776,580	25,074,783
- accessories	36,873,740	34,288,790	26,665,461	23,274,685
- plastics	11,288,761	11,339,584	—	—
	84,443,056	88,341,351	49,442,041	48,349,468

**17 Net finance expenses**

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Interest income				
- bank deposits	22,722	13,419	1,592	946
Interest expense				
- bank loans and overdrafts	(205,965)	(212,627)	(169,412)	(138,118)
- bills payable to banks	(149,348)	(164,495)	(28,288)	(26,814)
- finance lease liabilities	(32,727)	(33,035)	(13,271)	(10,290)
	(388,040)	(410,157)	(210,971)	(175,222)
Net finance expenses	(365,318)	(396,738)	(209,379)	(174,276)

**18 (Loss) Profit before tax**

The following items have been included in arriving at (loss) profit before tax:

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Allowance for				
- doubtful trade receivables	475,179	428,890	286,100	430,894
- inventory obsolescence	—	115,000	—	115,000
Bad trade receivables				
- written off	33,346	4,579	28,412	—
- recovered	—	(5,225)	—	(5,225)
Auditors' remuneration				
- auditors of the Company	87,000	80,000	75,000	68,000
- other auditors	26,687	31,674	—	—
Non-audit fees				
- other auditors	30,220	22,700	22,650	17,900
Depreciation of				
- property, plant and equipment	2,218,222	2,180,004	1,358,327	1,198,717
- biological assets	523,505	647,402	97,841	68,500
Exchange gain, net	(319,607)	(547,398)	(11,307)	(359,405)
Operating lease expense	1,132,374	1,169,471	241,450	165,564
Property, plant and equipment written off	11,852	7,148	8,018	1,129
Staff costs				
- salaries and bonus	11,443,046	11,346,897	6,962,787	6,471,664
- provident fund contributions	755,095	793,470	437,559	400,810
- staff welfare benefits	757,627	670,314	494,004	342,137
Directors' fees				
- directors of the Company	80,000	75,000	80,000	75,000
Change in fair value less estimated point-of-sale costs of breeder stocks	83,040	107,597	83,040	121,945
Other (income) expenses				
- gain on disposal of property, plant and equipment	(66,008)	(62,592)	(29,412)	(290)
- dividend income received from subsidiaries	—	—	(1,384,793)	(1,297,461)
- loss (gain) on disposal of a subsidiary	9,061,610	(952,172)	(861,609)	1,673,038
- impairment loss on investment in an associate	221,779	—	400,000	—
- sundry income	(136,143)	(150,754)	(32,866)	(1,127)

## Notes to the Financial Statements (cont'd)

## 19 Tax expense

		Group		Company	
	Note	2012 \$	2011 \$	2012 \$	2011 \$
<b>Tax recognised in profit or loss</b>					
<b>Current tax expense</b>					
Current year		524,329	729,643	68,479	229,746
Under (Over) provision in respect of prior years		126,874	(143,305)	–	(180,000)
		651,203	586,338	68,479	49,746
<b>Deferred tax (income) expense</b>					
Origination and reversal of temporary differences		(174,595)	(65,561)	(176,595)	–
Under provision in respect of prior year		–	29,339	–	–
	14	(174,595)	(36,222)	(176,595)	–
Total tax expense (credit)		476,608	550,116	(108,116)	49,746
<b>Reconciliation of effective tax rate</b>					
(Loss) Profit before tax		(8,683,411)	4,151,097	739,648	1,458,355
Tax using Singapore tax rate of 17% (2011: 17%)		(1,476,180)	705,686	125,740	247,920
Expenses not deductible for tax purposes		2,119,195	266,461	125,280	305,270
Income not subject to tax		(452,093)	(292,925)	(424,730)	(264,277)
Effect of different tax rates in other countries		93,668	79,847	–	–
Under (Over) provision in respect of prior years		126,874	(113,966)	–	(180,000)
Deferred tax (liabilities) assets not recognised		(4,687)	1,517	–	–
Others		69,831	(96,504)	65,594	(59,167)
Tax expense		476,608	550,116	(108,116)	49,746

**Tax recognised in other comprehensive income**

There is no tax effect on the translation differences relating to financial statements of foreign subsidiaries in other comprehensive income.

## 20 Directors' remuneration

Company's directors receiving remuneration from the Group:

	Group Number of directors	
	2012	2011
<b>Remuneration of:</b>		
\$500,000 and above	—	—
\$250,000 to \$499,999	4	4
Below \$250,000	3	4
	<u>7</u>	<u>8</u>

Names of director	Salary \$	Bonus \$	Directors' fees \$	Total \$
<b>Group</b>				
<b>2012</b>				
Kenny Yap Kim Lee	303,600	—	—	303,600
Alvin Yap Ah Seng	273,600	—	—	273,600
Andy Yap Ah Siong	273,600	—	—	273,600
Lai Chin Yee	261,600	24,360	—	285,960
Chang Weng Leong	—	—	30,000	30,000
Tan Tow Ee	—	—	25,000	25,000
Sharon Yeoh Kar Choo	—	—	25,000	25,000
Total	<u>1,112,400</u>	<u>24,360</u>	<u>80,000</u>	<u>1,216,760</u>
<b>2011</b>				
Kenny Yap Kim Lee	296,738	30,000	—	326,738
Alvin Yap Ah Seng	260,738	30,000	—	290,738
Andy Yap Ah Siong	260,738	30,000	—	290,738
Lai Chin Yee	253,538	50,000	—	303,538
Robson Lee Teck Leng	—	—	17,700	17,700
Chang Weng Leong	—	—	25,000	25,000
Tan Tow Ee	—	—	25,000	25,000
Sharon Yeoh Kar Choo	—	—	7,300	7,300
Total	<u>1,071,752</u>	<u>140,000</u>	<u>75,000</u>	<u>1,286,752</u>



## Notes to the Financial Statements (cont'd)

**21 (Loss) Earnings per share**

	<b>2012</b>	<b>Group 2011</b>
(Loss) Profit attributable to equity holders of the Company (\$)	(9,136,582)	3,465,630
Weighted average number of ordinary shares in issue for calculation of basic and diluted earnings per share	454,106,350	454,106,350
Basic (loss) earnings per share (cents)	(2.01)	0.76
Diluted (loss) earnings per share (cents)	(2.01)	0.76

The calculation of basic (loss) earnings per share at 31 December was based on (loss) profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding.

The calculation of diluted (loss) earnings per share at 31 December was based on (loss) profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

**22 Dividends**

	<b>Group and Company 2012 \$</b>	<b>2011 \$</b>
First and final dividend paid of 0.5 cents per share (one-tier tax exempt) in respect of the year ended 31 December 2011	–	2,270,532
First and final dividend paid of 0.6 cents per share (one-tier tax exempt) in respect of the year ended 31 December 2012	2,724,638	–
	<u>2,724,638</u>	<u>2,270,532</u>

The directors have proposed a final dividend of \$0.002 (2011: \$0.006) per ordinary share, one-tier tax exempt, totalling \$908,213 (2011: \$2,724,638) in respect of the financial year ended 31 December 2012. This proposed final tax exempt dividend has not been recognised as at year end and will be submitted to shareholders' approval at the forthcoming Annual General Meeting of the Company in 2013.

## 23 Note to consolidated statement of cash flows

During the current financial year, the Group disposed of a partially owned subsidiary, Kim Kang Aquaculture Sdn. Bhd. (KKSb), to its minority shareholders. In previous financial year, the Group disposed of a wholly owned subsidiary, Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd (GZQH), to a third party.

The attributable assets and liabilities of the subsidiaries disposed of and the cash flows relating to the disposals are set out as follows:

	<b>Group</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Property, plant and equipment	5,108,219	108,236
Brooder stocks	25,002,496	–
Inventories	2,308,162	7,466,242
Breeder stocks	592,144	–
Trade and other receivables	1,470,372	1,943,693
Amounts due from		
- related companies	–	339,377
- associates	–	1,486,497
Cash and bank balances	187,542	108,937
Trade and other payables	(1,583,139)	(367,542)
Bills payable to banks (unsecured)	(3,483,600)	–
Amount due to:		
- Qian Hu Corporation Limited	(2,363,340)	(12,075,476)
- related companies	(39,017)	–
- non-controlling shareholders	(140,000)	–
Bank term loans	(470,588)	–
Deferred tax liabilities	(3,547,663)	–
Non-controlling interests	(8,064,554)	–
Net assets (liabilities) disposed	14,977,034	(990,036)
Realisation of reserves	1,569,820	–
(Loss) Gain on disposal of a subsidiary	(9,061,610)	952,172
Goodwill on consolidation	1,914,756	50,864
Total consideration	9,400,000	13,000
Less:		
Cash and bank balances on disposal of subsidiary	(187,542)	(108,937)
Consideration in the form of brooder stocks	(5,500,000)	–
Deferred cash settlement	(3,900,000)	–
Net cash outflow on disposal of subsidiary	(187,542)	(95,937)

KKSb contributed a net loss after tax of \$769,496 for the period from 1 January 2012 to 30 September 2012. In previous financial year, GZQH contributed a net loss after tax of \$278,804 for the period from 1 January 2011 to 31 October 2011.

## Notes to the Financial Statements (cont'd)

### 24 Significant related party transactions

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

#### Key management personnel compensation

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the authorities of the entity. The directors are considered as key management personnel of the Group.

Key management personnel compensation comprised:

	Group	
	2012 \$	2011 \$
Short-term employee benefits		
- directors of the Company	1,216,760	1,286,752
- other key management personnel	1,458,468	1,544,886
	<u>2,675,228</u>	<u>2,831,638</u>

#### Other related party transactions

As mentioned in Note 8, trade and other receivables amounting to approximately \$12.0 million (2011: \$12.7 million) due from a former subsidiary are guaranteed by a major shareholder of the Company. The Company is charged a guarantee fee of 0.5% per annum with effect from January 2012.

Other than disclosed elsewhere in the financial statements, the transactions with related parties at terms agreed between the parties, are as follows:

	Group		Company	
	2012 \$	2011 \$	2012 \$	2011 \$
Sales to subsidiaries	—	—	7,144,252	6,016,589
Sales to associates	—	1,311,596	—	—
Purchases from subsidiaries	—	—	2,168,561	3,849,290
Purchases from associates	193,816	357,065	193,816	357,065
Rental paid to a non-controlling shareholder of a subsidiary	14,240	34,860	—	—
Fees paid to a firm in which a director has an interest	14,500	19,200	14,500	19,200
Guarantee fee paid to a major shareholder of the Company	50,000	—	50,000	—
Consultancy fees paid to a company in which a director has a substantial interest	8,300	8,300	8,300	8,300

Transactions with subsidiaries include transactions with Kim Kang Aquaculture Sdn. Bhd. and Guangzhou Qian Hu Aquarium and Pets Accessories Manufacturing Co., Ltd up to the dates of their disposals in the respective financial years.

## 25 Operating segments

The Group has three reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products. For each of the strategic business units, the Group's Executive Chairman and Managing Director reviews internal management reports on a monthly basis.

The Group's reportable operating segments are as follows:

- (i) Fish – includes fish farming, breeding, distribution and trading of ornamental fish;
- (ii) Accessories – includes manufacturing and distribution of aquarium and pet accessories;
- (iii) Plastics – includes manufacturing and distribution of plastic bags; and
- (iv) Others – includes Corporate Office, and consolidation adjustments which are not directly attributable to a particular business segment above.

The accounting policies of the reportable segments are the same as described in note 2. Information regarding the results of each reportable segment is included below. Performance is measured based on profit before tax, as included in the internal management reports that are reviewed by the Group's Executive Chairman and Managing Director. Profit before tax is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Certain financing costs are managed on a group basis and are not allocated to operating segments. Segment assets and liabilities are presented net of inter-segment balances. Inter-segment pricing is determined on mutually agreed terms.

Segment expenditure for non-current assets is the total cost incurred during the financial year to acquire segment assets that are expected to be used for more than one year.

### Information about reportable segments

	Fish \$'000	Accessories \$'000	Plastics \$'000	Others \$'000	Total \$'000
<b>2012</b>					
<b>Revenue</b>					
External revenue	36,280	36,874	11,289	–	84,443
Inter-segment revenue	2,166	8,227	138	(10,531)	–
Total revenue	38,446	45,101	11,427	(10,531)	84,443
<b>Results</b>					
EBITDA*	2,267	2,631	1,027	(2,140)	3,785
Depreciation and amortisation	(1,866)	(789)	(87)	–	(2,742)
Interest expense	(167)	(51)	(1)	(169)	(388)
Interest income	20	3	–	–	23
Operating profit	254	1,794	939	(2,309)	678
Loss on disposal of a subsidiary	(9,062)	–	–	–	(9,062)
Impairment loss on associates	–	(222)	–	–	(222)
Share of losses of associates	–	(77)	–	–	(77)
(Loss) Profit before tax	(8,808)	1,495	939	(2,309)	(8,683)
Tax expense	(129)	(208)	(140)	–	(477)
(Loss) Profit for the year	(8,937)	1,287	799	(2,309)	(9,160)

## Notes to the Financial Statements (cont'd)

## 25 Operating segments (cont'd)

	Fish \$'000	Accessories \$'000	Plastics \$'000	Others \$'000	Total \$'000
<b>2012</b>					
<b>Assets and liabilities</b>					
Segment assets	30,857	38,463	3,613	5,009	77,942
Investment in associates	–	708	–	–	708
Segment liabilities	4,396	5,363	1,665	12,398	23,822
<b>Other segment information</b>					
Expenditure for non-current assets	1,103	495	35	–	1,633
Other non-cash items:					
Bad trade receivables written off	33	–	–	–	33
Property, plant and equipment written off	2	9	1	–	12
Allowance for doubtful trade receivables	239	236	–	–	475
Change in fair value less estimated point-of-sale costs of breeder stocks	83	–	–	–	83
Gain on disposal of property, plant and equipment	(38)	(28)	–	–	(66)
<b>2011</b>					
<b>Revenue</b>					
External revenue	42,713	34,289	11,339	–	88,341
Inter-segment revenue	5,303	10,331	144	(15,778)	–
Total revenue	48,016	44,620	11,483	(15,778)	88,341
<b>Results</b>					
EBITDA*	5,078	2,598	1,055	(2,211)	6,520
Depreciation and amortisation	(1,919)	(808)	(100)	–	(2,827)
Interest expense	(224)	(49)	(2)	(135)	(410)
Interest income	10	3	–	–	13
Operating profit	2,945	1,744	953	(2,346)	3,296
Gain on disposal of a subsidiary	–	952	–	–	952
Share of losses of associates	–	(97)	–	–	(97)
Profit before tax	2,945	2,599	953	(2,346)	4,151
Tax expense	(231)	(183)	(136)	–	(550)
Profit for the year	2,714	2,416	817	(2,346)	3,601
<b>Assets and liabilities</b>					
Segment assets	62,654	37,501	3,830	1,960	105,945
Investment in associates	–	1,007	–	–	1,007
Segment liabilities	14,453	4,940	1,886	11,042	32,321
<b>Other segment information</b>					
Expenditure for non-current assets	1,328	629	134	–	2,091
Other non-cash items:					
Bad trade receivables					
- written off	4	1	–	–	5
- recovered	(5)	–	–	–	(5)
Property, plant and equipment written off	2	4	1	–	7
Allowance for					
- doubtful trade receivables	284	145	–	–	429
- inventory obsolescence	–	115	–	–	115
Change in fair value less estimated point-of-sale costs of breeder stocks	108	–	–	–	108
Gain on disposal of property, plant and equipment	(31)	(10)	(22)	–	(63)

\* EBITDA – Earnings Before Interest, Taxation, Depreciation and Amortisation



**25 Operating segments (cont'd)****Geographical segments**

Geographical segments are analysed by four principal geographical areas, namely Singapore, other Asian countries, Europe and Others (i.e., the rest of the world). In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of the customers which the sales are made to regardless of where the sales originate. Segment non-current assets and segment assets are based on the geographical location of the assets.

**Geographical Information**

	<b>Singapore \$'000</b>	<b>Other Asian countries \$'000</b>	<b>Europe \$'000</b>	<b>Others \$'000</b>	<b>Consolidated \$'000</b>
<b>2012</b>					
Revenue from external customers	24,689	42,214	8,718	8,822	84,443
Segment non-current assets	18,190	2,225	413	–	20,828
Segment assets	61,187	16,342	413	–	77,942
<b>2011</b>					
Revenue from external customers	28,088	41,416	9,350	9,487	88,341
Segment non-current assets	9,188	35,349	693	–	45,230
Segment assets	47,282	57,970	693	–	105,945

**Major customers**

There are no customers contributing more than 10 percent to the revenue of the Group.

**26 Financial risk management****Overview**

Risk management is integral to the whole business of the Group. The Group has a system of controls in place to create an acceptable balance between the cost of risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

**Credit risk**

Credit risk is the potential financial loss resulting from the failure of a customer or a counterparty to settle its financial and contractual obligations to the Group, as and when they fall due.

Management has a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Group does not require collateral in respect of trade and other receivables.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

At the reporting date, the maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

## Notes to the Financial Statements (cont'd)

### 26 Financial risk management (cont'd)

#### **Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

#### **Market risk**

Market risk is the risk that changes in market prices, such as interest rates, foreign exchange rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

#### **Foreign currency risk**

The Group incurs foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than Singapore dollars. The currencies giving rise to this risk are primarily the United States dollar, Euro, Malaysian Ringgit and Chinese Renminbi.

There is no formal hedging policy with respect to foreign currency exposure. Exposure to foreign currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level.

#### *Sensitivity analysis*

A 10% strengthening of Singapore dollar against the following currencies at the reporting date would increase (decrease) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

	Group \$	Company \$
<b>31 December 2012</b>		
US Dollar	(302,531)	(191,666)
Euro	(57,498)	(52,548)
Ringgit Malaysia	(123,670)	1,593
Japanese Yen	11,844	11,844
Thai Baht	(145,441)	–
Chinese Renminbi	(65,643)	(24,167)
Australian Dollar	33,859	33,859
New Taiwan Dollar	10,444	6,106
Hong Kong Dollar	8,088	8,088
Indonesian Rupiah	(12,819)	–
<b>31 December 2011</b>		
US Dollar	(352,713)	(306,405)
Euro	(81,872)	(76,456)
Ringgit Malaysia	281,773	873
Thai Baht	(162,495)	–
Chinese Renminbi	(269,103)	(26,586)
Australian Dollar	587	587
New Taiwan Dollar	14,423	12,788

A 10% weakening of Singapore dollar against the above currencies would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

**26 Financial risk management** (cont'd)**Business risk**

The main risk arising from the Group's livestock is business risk. The Group has institutionalised a comprehensive health management and quarantine system for all its domestic and overseas operations to ensure a consistently high standard of good healthcare management and hygiene for its livestock. Currently, all its domestic and overseas fish operations have attained ISO 9001 : 2008 certification.

**Interest rate risk**

The Group's exposure to interest rates relates primarily to interest-earning financial assets and interest-bearing financial liabilities. Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

The Group obtains additional financing through bank borrowings and finance lease arrangements. The Group's policy is to obtain the most favourable interest rates available without increasing its foreign currency exposure.

The following table sets out the carrying amounts as at 31 December, by maturity or repricing, whichever is earlier, of the financial instruments of the Group and the Company that are exposed to interest rate risk:

	Within 1 year \$'000	1 to 5 years \$'000	Total \$'000
<b>2012</b>			
<b>Group</b>			
<b>Financial assets</b>			
<b>Fixed rate</b>			
Fixed deposits	25	–	25
<b>Financial liabilities</b>			
<b>Fixed rate</b>			
Bills payable to banks	884	–	884
Finance lease liabilities	157	254	411
<b>Floating rate</b>			
Bank term loans	12,000	–	12,000
<b>Company</b>			
<b>Financial assets</b>			
<b>Fixed rate</b>			
Fixed deposits	25	–	25
<b>Financial liabilities</b>			
<b>Fixed rate</b>			
Bills payable to banks	884	–	884
Finance lease liabilities	68	107	175
<b>Floating rate</b>			
Bank term loans	12,000	–	12,000
<b>2011</b>			
<b>Group</b>			
<b>Financial assets</b>			
<b>Fixed rate</b>			
Fixed deposits	25	–	25
<b>Financial liabilities</b>			
<b>Fixed rate</b>			
Bills payable to banks	4,226	–	4,226
Finance lease liabilities	177	297	474
<b>Floating rate</b>			
Bank term loans	11,277	–	11,277

## Notes to the Financial Statements (cont'd)

**26 Financial risk management** (cont'd)

	Within 1 year \$'000	1 to 5 years \$'000	Total \$'000
<b>Company</b>			
<b>Financial assets</b>			
<b><i>Fixed rate</i></b>			
Fixed deposits	25	–	25
<b>Financial liabilities</b>			
<b><i>Fixed rate</i></b>			
Bills payable to banks	741	–	741
Finance lease liabilities	72	135	207
<b><i>Floating rate</i></b>			
Bank term loans	10,500	–	10,500

*Sensitivity analysis**Fair value sensitivity analysis for fixed rate instruments*

The Group does not account for fixed rate financial assets and financial liabilities at fair value through profit or loss. Therefore a change in interest rates at reporting date would not affect profit or loss.

*Cash flow sensitivity analysis for variable rate instruments*

For the variable rate financial assets and liabilities, a change of 100 basis point (bp) in interest rate at the reporting date would increase (decrease) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss	
	100 bp increase \$	100 bp decrease \$
<b>Group</b>		
<b>31 December 2012</b>		
Floating rate instruments	(120,000)	120,000
<b>31 December 2011</b>		
Floating rate instruments	(112,774)	112,774
<b>Company</b>		
<b>31 December 2012</b>		
Floating rate instruments	(120,000)	120,000
<b>31 December 2011</b>		
Floating rate instruments	(105,000)	105,000

**26 Financial risk management** (cont'd)**Fair values of financial instruments**

Where possible, fair values have been estimated using market prices for the financial instruments. Where market prices are not available, values have been estimated using quoted prices for financial instruments with similar characteristics, or otherwise using a suitable valuation technique where it is practicable to do so. The fair value information presented represents the Group's and the Company's best estimate of those values, subject to certain assumptions and limitations.

*Methodologies*

The methodologies and assumptions used in estimating fair values depend on the terms and risk characteristics of the various instruments and include the following:

*Financial assets*

The fair value of the Group's and the Company's quoted investments is determined by reference to their quoted bid price at the reporting date.

*Interest-bearing bank loans*

The carrying value of interest-bearing bank loans that reprice within six months of the reporting date is assumed to approximate their fair values. The carrying amounts of the term loans also approximate fair value as it is subject to floating interest rates which in turn approximate the current market interest rate for similar loan at reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

*Other financial assets and liabilities*

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, bills payable to banks and trade and other payables) are assumed to approximate their fair values because of the short period to maturity. All other financial assets and liabilities are discounted to determine their fair values.

The fair values of recognised financial liabilities, which are not carried at fair value in the statements of financial position as at 31 December, are presented in the following table:

	2012		2011	
	Carrying amount \$	Fair value \$	Carrying amount \$	Fair value \$
<b>Group</b>				
<b>Financial liabilities</b>				
Finance lease liabilities	411,109	411,109	474,480	474,480
Bank term loans	12,000,000	12,000,000	11,277,363	11,277,363
	<u>12,411,109</u>	<u>12,411,109</u>	<u>11,751,843</u>	<u>11,751,843</u>
Unrecognised gain		<u>—</u>		<u>—</u>
<b>Company</b>				
<b>Financial liabilities</b>				
Finance lease liabilities	175,173	175,173	207,021	207,021
Bank term loans	12,000,000	12,000,000	10,500,000	10,500,000
	<u>12,175,173</u>	<u>12,175,173</u>	<u>10,707,021</u>	<u>10,707,021</u>
Unrecognised gain		<u>—</u>		<u>—</u>

## Notes to the Financial Statements (cont'd)

### 26 Financial risk management (cont'd)

The above fair values have been estimated by discounting future contracted cash flows at the current market rate available.

#### *Intra-group financial guarantees*

The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of. Guarantees are only given to its subsidiaries or related parties.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

The intra-group financial guarantees are eliminated in preparing the consolidated financial statements. Estimates of the Company's obligations arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions may well vary from actual experience so that the actual liability may vary considerably from the best estimates.

Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to \$8.8 million (2011: \$10.9 million).

#### *Financial instruments by category*

The carrying amounts of financial assets and liabilities in the statements of financial position are as follows:

	Loans and receivables \$	Liabilities at amortised cost \$	Total carrying amount \$
<b>2012</b>			
<b>Group</b>			
<b>Financial assets</b>			
Trade and other receivables*	35,581,144	–	35,581,144
Cash and cash equivalents	8,272,353	–	8,272,353
	<u>43,853,497</u>	<u>–</u>	<u>43,853,497</u>

\* *excluding prepayments*



**26 Financial risk management** (cont'd)**2012****Group****Financial liabilities**

	Loans and receivables \$	Liabilities at amortised cost \$	Total carrying amount \$
Finance lease liabilities	–	(411,109)	(411,109)
Bank term loans	–	(12,000,000)	(12,000,000)
Bills payable to banks	–	(883,938)	(883,938)
Trade and other payables	–	(9,599,728)	(9,599,728)
	–	(22,894,775)	(22,894,775)

**Company****Financial assets**

Trade and other receivables*	36,084,265	–	36,084,265
Cash and cash equivalents	4,975,280	–	4,975,280
	41,059,545	–	41,059,545

**Financial liabilities**

Finance lease liabilities	–	(175,173)	(175,173)
Bank term loans	–	(12,000,000)	(12,000,000)
Bills payable to banks	–	(883,938)	(883,938)
Trade and other payables	–	(7,081,392)	(7,081,392)
	–	(20,140,503)	(20,140,503)

**2011****Group****Financial assets**

Trade and other receivables*	30,936,785	–	30,936,785
Cash and cash equivalents	8,605,551	–	8,605,551
	39,542,336	–	39,542,336

**Financial liabilities**

Finance lease liabilities	–	(474,480)	(474,480)
Bank term loans	–	(11,277,363)	(11,277,363)
Bills payable to banks	–	(4,226,403)	(4,226,403)
Trade and other payables	–	(11,587,831)	(11,587,831)
	–	(27,566,077)	(27,566,077)

**Company****Financial assets**

Trade and other receivables*	35,031,546	–	35,031,546
Cash and cash equivalents	4,073,417	–	4,073,417
	39,104,963	–	39,104,963

**Financial liabilities**

Finance lease liabilities	–	(207,021)	(207,021)
Bank term loans	–	(10,500,000)	(10,500,000)
Bills payable to banks	–	(741,204)	(741,204)
Trade and other payables	–	(7,939,117)	(7,939,117)
	–	(19,387,342)	(19,387,342)

\* excluding prepayments

## Notes to the Financial Statements (cont'd)

**27 Commitments**

At 31 December 2012, the Group and the Company have operating lease commitments for future minimum lease payments under non-cancellable operating leases as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2012</b>	<b>2011</b>	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Payable:				
- Within 1 year	142,013	279,816	76,593	83,556
- After 1 year but within 5 years	–	142,013	–	76,593
	<u>142,013</u>	<u>421,829</u>	<u>76,593</u>	<u>160,149</u>

Lease terms do not contain restrictions on the Group's and the Company's activities concerning dividends, additional debt or further leasing.

**28 New accounting standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company, except for FRS 112 *Disclosure of Interests in Other Entities*, which sets out the disclosures required to be made in respect of all forms of an entity's interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. The adoption of this standard would result in more extensive disclosures being made in the Group's financial statements in respect of its interests in other entities; as FRS 112 is primarily a disclosure standard, there will be no financial impact on the results and financial position of the Group and the Company. The Group does not plan to adopt this standard early.

# Statistics of Shareholders

As at 5 February 2013

Class of Shares : Ordinary shares  
Voting Rights : One vote per share

## Analysis of Shareholders

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 – 999	249	8.92	61,172	0.01
1,000 – 10,000	795	28.47	4,461,580	0.98
10,001 – 1,000,000	1,707	61.14	134,220,542	29.56
1,000,001 and Above	41	1.47	315,363,056	69.45
<b>Total</b>	<b>2,792</b>	<b>100.00</b>	<b>454,106,350</b>	<b>100.00</b>

## Substantial Shareholders

Name of Substantial Shareholder	Shareholdings registered in the name of the substantial shareholders		Shareholdings held by substantial shareholders in the name of nominees	
	No. of Shares	%	No. of Shares	%
1. Qian Hu Holdings Pte Ltd	109,000,000	24.00	–	–
2. Yap Ah Seng Alvin*	15,804,552	3.48	–	–
3. Yap Ah Siong Andy*	15,700,000	3.46	–	–
4. Yap Kim Choon*	15,700,000	3.46	–	–
5. Yap Kim Lee Kenny*	14,000,000	3.08	–	–
6. Yap Hock Huat*	12,000,000	2.64	–	–
7. Yap Ping Heng*	12,000,000	2.64	–	–
8. Yap Kim Chuan*	6,021,994	1.33	9,678,006	2.13

\* Each has a shareholding of 14.04% in Qian Hu Holdings Pte Ltd ("QHHPL") except for Yap Kim Lee Kenny whose shareholding in QHHPL is 15.76%.

## Twenty Largest Shareholders

No.	Name of Shareholder	No. of Shares	% of Issued Share Capital
1.	Qian Hu Holdings Pte Ltd	109,000,000	24.00
2.	Yap Ah Seng Alvin	15,804,552	3.48
3.	Yap Ah Siong Andy	15,700,000	3.46
4.	Yap Kim Choon	15,700,000	3.46
5.	Yap Kim Lee Kenny	14,000,000	3.08
6.	Yap Hock Huat	12,000,000	2.64
7.	Yap Ping Heng	12,000,000	2.64
8.	Hong Leong Finance Nominees Pte Ltd	10,428,000	2.30
9.	Choo Chee Kiong	10,000,000	2.20
10.	Yap Hey Cha	8,325,000	1.83
11.	Wong Bei Keen	7,310,000	1.61
12.	Ang Kim Sua	6,894,000	1.52
13.	Phillip Securities Pte Ltd	6,386,149	1.41
14.	Yap Kim Chuan	6,021,994	1.33
15.	Tan Boon Kim	5,322,325	1.17
16.	Koh Guat Lee	5,304,971	1.17
17.	Lim Boo Hua	4,926,400	1.08
18.	Goh Siak Ngan	4,315,978	0.95
19.	Lim Peng Chuan	3,760,000	0.83
20.	Lim Geok Kiew	3,250,000	0.72
<b>Total</b>		<b>276,449,369</b>	<b>60.88</b>

## Shareholding Held in the Hands of Public

Based on the information provided, to the best knowledge of the Directors and the substantial shareholders of the Company, 44.08% of the issued share capital of the Company was held in the hands of the public as at 5 February 2013. Accordingly, Rule 723 of the Singapore Exchange Listing Manual has been complied with.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Fourteenth Annual General Meeting of the Company will be held at No. 71 Jalan Lekar, Singapore 698950 on Friday, 15 March 2013 at 11.00 a.m. to transact the following business:

## Ordinary Business

1. To receive and adopt the Directors' Report and Audited Accounts for the financial year ended 31 December 2012 and the Auditors' Report thereon. [Resolution 1]
2. To declare a first and final dividend of 0.2 cents per ordinary share one-tier tax exempt for the financial year ended 31 December 2012. [Resolution 2]
3. To re-elect Mr Kenny Yap Kim Lee, who is retiring by rotation in accordance with Article 89 of the Company's Articles of Association, as Director of the Company. [Resolution 3]
4. To re-elect Ms Lai Chin Yee, who is retiring by rotation in accordance with Article 89 of the Company's Articles of Association, as Director of the Company. [Resolution 4]
5. To re-elect Mr Chang Weng Leong, who is retiring by rotation in accordance with Article 89 of the Company's Articles of Association, as Director of the Company. **[See Explanatory Note (a)]** [Resolution 5]
6. To approve the sum of \$80,000 as Directors' fees for the financial year ended 31 December 2012 (2011: \$75,000). [Resolution 6]
7. To re-appoint KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. [Resolution 7]
8. To transact any other business that may be transacted at an Annual General Meeting.

## Special Business

To consider and, if thought fit, to pass the following as Ordinary Resolutions, with or without modifications:-

### 9. General Mandate to authorise the Directors to issue shares or convertible securities

"That pursuant to Section 161 of the Companies Act, Chapter 50 (the "**Act**"), the Articles of Association and the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), authority be and is hereby given to the Directors of the Company to:-

- (a) (i) allot and issue shares in the capital of the Company ("**Shares**") (whether by way of rights, bonus or otherwise); and/or
- (ii) make or grant offers, agreements, or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force):
  - (i) issue additional instruments as adjustments in accordance with the terms and conditions of the Instruments made or granted by the Directors while this Resolution was in force; and
  - (ii) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force or such additional Instruments in (b)(i) above,

provided that:

- (1) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued Shares (excluding treasury shares, if any) at the time of the passing of this Resolution (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares issued other than on a pro rata basis to existing shareholders (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 15% of the Company's total number of issued Shares (excluding treasury shares, if any) (as calculated in accordance with sub-paragraph (2) below); and
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares, if any) shall be calculated based on the total number of issued Shares (excluding treasury shares, if any) at the time of the passing of this Resolution, after adjusting for:-
  - (a) new Shares arising from the conversion or exercise of convertible securities;
  - (b) new Shares arising from the exercise of share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the SGX-ST Listing Manual; and
  - (c) any subsequent bonus issue, consolidation or subdivision of Shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the listing rules of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and
- (4) (unless revoked or varied by the Company in general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law to be held, whichever is the earlier. **[See Explanatory Note (b)]**

**[Resolution 8]**

#### 10. **Renewal of Share Buyback Mandate**

"That:

- (a) for the purposes of the Companies Act, Chapter 50 of Singapore (the "**Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire ordinary shares in the capital of the Company (the "**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:
  - (i) market purchase(s) (each a "**Market Purchase**") transacted through the SGX-ST's ready market or, as the case may be, on another stock exchange on which the Shares are listed, through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
  - (ii) off-market purchase(s) (each an "**Off-Market Purchase**") effected pursuant to an equal access scheme (as defined in Section 76C of the Act) as may be determined or formulated by the Directors as they consider fit, which scheme shall satisfy all the conditions prescribed by the Act and the Listing Rules,

be and is hereby authorised and approved generally and unconditionally (the "**Share Buyback Mandate**");

## Notice of Annual General Meeting (cont'd)

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:

- (i) the date on which the next Annual General Meeting ("**AGM**") of the Company is held or required by the law to be held;
- (ii) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied; or
- (iii) the date on which Share Buybacks are carried out to the full extent mandated;

- (c) in this Resolution:

**"Maximum Limit"** means 10% of the Shares as at the date of the passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, at any time during the Relevant Period (as hereafter defined), in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time);

**"Relevant Period"** means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution; and

**"Maximum Price"**, in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) not exceeding:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price; and
- (ii) in the case of an Off-Market Purchase, pursuant to an equal access scheme, 120% of the Average Closing Price, where:

**"Average Closing Price"** means the average of the closing market prices of a Share over the last five market days, on which transactions in the Shares were recorded, preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five Market Days period; and

- (d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider expedient or necessary to give effect to the transactions contemplated by this Resolution. **[See Explanatory Note (c)]**

**[Resolution 9]**

By Order of the Board

**Lai Chin Yee**  
Company Secretary

Singapore  
27 February 2013



**Explanatory Notes:**

- (a) Mr Chang Weng Leong, if re-elected, will remain as member of the Company's Audit Committee, Nominating Committee and Remuneration Committee and will also continue to remain as Chairman of the Remuneration Committee. Mr Chang Weng Leong will be considered as an independent director of the Company.
- (b) The ordinary resolution 8, under item 9 above, if passed, will empower the Directors from the date of the Annual General Meeting until the date of the next Annual General Meeting of the Company, to issue shares and convertible securities in the Company up to an aggregate number not exceeding 50% of the total number of issued shares excluding treasury shares in the capital of the Company, of which the aggregate number issued other than on a pro rata basis to all existing shareholders of the Company shall not exceed 15% of the total number of issued shares excluding treasury shares in the capital of the Company, as more particularly set out in the resolution.
- (c) The ordinary resolution 9 under item 10 above, if passed, will renew the Share Buyback Mandate and will authorise the Directors to purchase or otherwise acquire Shares on the terms and subject to the conditions of the resolution. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate on the audited consolidated financial accounts of the Group for the financial year ended 31 December 2012 are set out in greater detail in the Appendix enclosed together with the Annual Report.

**Note:**

A member entitled to attend and vote at the Annual General Meeting is entitled to appoint no more than two proxies to attend and vote on his behalf and such proxy need not be a member of the Company. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each proxy. The instrument appointing the proxy must be deposited at the registered office of the Company at No. 71 Jalan Lekar, Singapore 698950 not less than 48 hours before the time set for the Annual General Meeting.

## Notice of Annual General Meeting (cont'd)

### Notice of Books Closure and Dividend Payment Date

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 2 April 2013 for the preparation of dividend warrants.

Duly completed registrable transfers received by the Company's Share Registrar, M & C Services Private Limited, 112 Robinson Road #05-01, Singapore 068902 up to 5.00 p.m. on 1 April 2013 will be registered to determine shareholders' entitlements to the said dividend.

Members whose Securities Accounts with The Central Depository (Pte) Ltd are credited with shares at 5.00 p.m. on 1 April 2013 will be entitled to the proposed dividend.

The proposed dividend, if approved by the members at the Fourteenth Annual General Meeting to be held on 15 March 2013, will be paid on 12 April 2013.

By Order of the Board

**Lai Chin Yee**

Company Secretary

Singapore  
27 February 2013

### Dear Shareholders

We realise that you may not be able to attend our forthcoming Annual General Meeting ("AGM") for some reason or other. As in the previous years, we have set up several channels to communicate with our investors and shareholders. All because we deeply value your feedback and input.

You may now channel your questions and feedback to us via the following methods:

- **By sending us an email through *investor@qianhu.com* or *feedback@qianhu.com***
- **By faxing us your feedback through 6766 3995**

We will look into all your questions and feedback and answer them during the AGM, provided that they reach us before 15 March 2013. A copy of the minutes of the AGM will be posted both on our website and on the SGX website.



**Kenny Yap Kim Lee**  
Executive Chairman and Managing Director  
Qian Hu Corporation Limited

To facilitate your attendance at our Annual General Meeting (AGM) on **15 March 2013**, at **No. 71 Jalan Lekar, Singapore 698950** at **11.00 a.m.**, transport arrangements have been made available for you.

We have chartered a bus to ferry you from the **Choa Chu Kang Bus Interchange (next to Choa Chu Kang MRT Station)** to our meeting venue.

Please proceed to the **Choa Chu Kang Bus Interchange Berth B5**. The bus will leave at **10.40 a.m. sharp**.

Transport will also be provided back to the Choa Chu Kang Bus Interchange after the meeting.

# QIAN HU CORPORATION LIMITED

(Incorporated in the Republic of Singapore)  
(Company Registration No. 199806124N)

## IMPORTANT FOR CPF INVESTORS ONLY:

1. This Annual Report is forwarded to you at the request of your CPF Approved Nominee and is sent SOLELY FOR INFORMATION ONLY.
2. This Proxy Form is therefore not valid for use by CPF investors and shall not be effective for all intents and purposes if used or purported to be used by them.
3. CPF Investors who wish to attend the Annual General Meeting as OBSERVERS have to submit their requests through their respective Agent banks so that their Agent banks may register with the Company Secretary of Qian Hu Corporation Limited.

# PROXY FORM

I/We \_\_\_\_\_ NRIC/Passport/Co. Registration No. \_\_\_\_\_  
of \_\_\_\_\_

being a member/members of **QIAN HU CORPORATION LIMITED** hereby appoint

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

as my/our proxy/proxies to vote for me/us and on my/our behalf and, if necessary to demand a poll, at the Annual General Meeting ("AGM") of the Company to be held at No. 71 Jalan Lekar Singapore 698950 on Friday, 15 March 2013 at 11.00 a.m. and at any adjournment thereof.

I/We have directed my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting are given, the proxy/proxies may vote or abstain from voting at his/their discretion, as he/they will on any other matters arising at the AGM. If no person is named in the above boxes, the Chairman of the AGM shall be my/our proxy to vote, for or against the Resolutions to be proposed at the AGM, as indicated hereunder for me/us and on my/our behalf at the AGM and at any adjournment thereof.

No.	Resolutions Relating To:	For*	Against*
<b>AS ORDINARY BUSINESS</b>			
1	Directors' Report and Audited Accounts for the financial year ended 31 December 2012		
2	Payment of proposed first and final dividend		
3	Re-election of Mr Kenny Yap Kim Lee as director		
4	Re-election of Ms Lai Chin Yee as director		
5	Re-election of Mr Chang Weng Leong as director		
6	Approval of directors' fees		
7	Re-appointment of KPMG LLP as auditors		
<b>AS SPECIAL BUSINESS</b>			
8	Authority to issue shares		
9	Renewal of Share Buyback Mandate		

\* Please indicate your vote "For" or "Against" with a "✓" within the boxes provided.

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2013

\_\_\_\_\_  
Signature(s) of Member(s) or  
Common Seal of Corporate Member

## IMPORTANT

PLEASE READ NOTES OVERLEAF

**Total Number of Shares Held**

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**Notes:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on his behalf and such proxy need not be a member of the Company. Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each such proxy, failing which the nomination shall be deemed to be alternative.
3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at No. 71 Jalan Lekar, Singapore 698950 not less than 48 hours before the time set for the Annual General Meeting.
4. The instrument appointing a proxy or proxies must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation.
5. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney the letter or the power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
6. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Annual General Meeting.
7. The Company shall be entitled to reject this instrument of proxy if it is incomplete improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in this instrument of proxy. In addition, in the case of members whose shares are entered in the Depository Register, the Company shall be entitled to reject any instrument of proxy lodged if the member, being the appointer, is not shown to have any shares entered against his name in the Depository Register as at 48 hours before the time set for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.



The Company Secretary  
**QIAN HU CORPORATION LIMITED**  
No. 71 Jalan Lekar  
Singapore 698950

# FINANCIAL CALENDAR

2012

**11 January**  
FY 2011 Full year  
results announcement  
(with media and analysts briefing)

**15 March**  
Annual General  
Meeting

**11 April**  
Payment of dividend

**18 April**  
1Q 2012 results  
announcement

**18 July**  
2Q 2012 results  
announcement  
(with media and analysts briefing)

**17 October**  
3Q 2012 results  
announcement

2013

**11 January**  
FY 2012 Full year  
results announcement  
(with media and analysts briefing)

**15 March**  
Annual General  
Meeting

**12 April**  
Payment of dividend  
(Subject to Shareholders'  
approval at AGM)

**15 April**  
1Q 2013 results  
announcement

**15 July**  
2Q 2013 results  
announcement  
(with media and analysts briefing)

**17 October**  
3Q 2013 results  
announcement



QIAN HU CORPORATION LIMITED  
COMPANY REGISTRATION NO.: 199806124N

No. 71 Jalan Lekar Singapore 698950 • Tel: (65) 6766 7087 Fax: (65) 6766 3995 • [www.qianhu.com](http://www.qianhu.com)